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Marxism Today

JOHN GOLLAN — 40th ANNIVERSARY OF THE RUSSIAN REVOLUTION

RON BELLAMY — LABOUR POLICY TODAY

RON BELLAMY — WAGES, PRICES AND INFLATION

PROFESSOR J. D. BERNAL — ORIGIN OF LIFE ON THIS EARTH

DISCUSSION — ON CRISIS THEORY AND CURRENT POLICY

PROFESSOR G. THOMSON — THE FIRST ITALIAN MARXIST

SOVIET DISCUSSION — ON POLITICAL ECONOMY

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Marxism Today

Vol. 1 No. 2

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Fortieth anniversary of the Russian Revolution

THE great historical significance of the Russian Revolution of November 7th, 1917, is that, after thousands of years of class society and exploitation of man by man, it opened for mankind the way to a classless society of human brotherhood and common endeavour.

This heroic act of the Russian working class marked the stage in the development of human society when the ending of private ownership of the means of production had become essential for great further advances. That this stage has been reached is proved not only by the successful building of socialism in the Soviet Union and the superiority of the socialist system over the capitalist, but also by the growth of socialism in other countries and the breaking free of former colonial countries from imperialist rule. The world is in transition from capitalism to socialism and its higher stage, communism.

But this new era for mankind could only be opened through the struggle of the Russian working class under the leadership of the Bolshevik Party headed by Lenin. Marx had provided the working class with the scientific theory of socialism. Lenin developed that theory in the epoch of imperialism, the threshold of proletarian revolution. Guided by this theory, the Russian working class, rejecting all attempts to establish capitalist rule on the ruins of tsardom, took power into its own hands, defeated its class enemies and armed intervention from fourteen capitalist states, and went forward to build a socialist society.

The material achievements of the Soviet people have been enormous. Taking the factories and other means of production into social ownership, they built up from backward tsarist Russia a great modern industrial state and a collectivised modern agriculture. Ending the exploitation of man by man and freeing the subject peoples of tsarist days, the Russian working class, in alliance with the peasantry, brought the Soviet Union forward into the front rank of the advanced nations of the world.

Such an advance was possible only through the transformation of the people themselves into free, conscious and cultured builders of a socialist society. Illiteracy was ended; an educational system was built up that is now set to embrace all children up to the age of seventeen in the schools, and is giving higher education to millions of students. Culture became the property of the whole people. The achievements of Soviet science are the envy of the world.

A new socialist democracy was established, freeing the people from class domination and exploitation, and drawing them into participation in the direction of all forms of social activity. Women, enjoying equal rights with men, came forward to leading positions in every field. The formerly subject peoples not only achieved political liberation, but shared fully in the socialist advance and raised their countries to the level of modern states.

Socialist society secures for the whole people the maximum satisfaction of their constantly rising material and cultural needs. In accordance with this, step by step as production developed on a planned basis in the interests of the people, real wages and the incomes of the peasants were raised and social services extended. The standard of living of the whole Soviet people is now several times higher than it was before the revolution.

The Soviet people, first to face the problems of building a socialist country, had to overcome incredible difficulties and to advance through countless sacrifices. Mistakes were made, but they could not hold back the irresistible march forward.

Inspired by the triumphant building of a new society by the working people of the Soviet Union, the peoples of other countries have taken the socialist road. Hundreds of millions of former colonial peoples have won their liberation from imperialist rule. Thirty-three million men and women are now organised in Communist Parties throughout the world, leading their peoples to socialism and communism.

The military might and unshakable unity of the Soviet peoples defeated Hitler's armies, and stand on guard against all imperialist threats. But from its earliest days the Soviet Union has always worked for peace, and is now leading the world in the fight of the peoples for the abolition of nuclear weapons and for general measures of disarmament.

Now, when the Fortieth Anniversary of the Great Socialist Revolution is being celebrated, we need above all to understand the lessons of the revolution and of the world transformation it has

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brought about. In *Left-Wing Communism,* Lenin spoke of some fundamental features of the revolution which were not peculiarly national, not Russian only, but of significance for all countries. While the advance of socialism will have special features in each country, these are the essential features of the Russian Revolution which are of international significance:

Power must be taken by the working class, supported by other progressive sections of the people.

There must be a party based on Marxism-Leninism and democratic centralism, capable of giving leadership to the working class and its allies in the day-to-day struggle against capitalism and in the struggle for socialism.

A Socialist Government, backed by the working class and the people, must carry through the measures needed to end exploitation, raise living standards, develop a planned socialist economy and prevent obstruction and sabotage by the capitalists and landlords.

The international solidarity of working and progressive people, linked by a common interest, is needed to defeat imperialism.

The foreign policy of a socialist country is a policy of peace; it recognises the independence and equal rights of all nations, and gives help to subject peoples defending their independence.

These basic features of the Soviet experience have general validity in all countries for the winning of political power by the working class and the building of socialism.

The Russian Revolution began the transformation of the world. Thanks to that first beginning, the working people of other countries have been able more easily to take the socialist road. Today the strength of the socialist countries and the profound changes in the relation of classes throughout the world make it possible for the working class in many countries to advance to socialism without armed conflict. For us in Britain such an advance is now possible; this is the message of *The British Road to Socialism.*

Labour policy today

John Gollan

WITH the adoption of *Industry and Society* a significant stage in Labour policy-making has been reached. What happens next may well set the tone of developments for years to come.

Mr. Gaitskell steers the party to the right, reported *The Times* political correspondent from Brighton. "They have closed the ranks to the right, and for frank tactical reasons at that," he wrote. "In principle, this means that the British Labour Party, at its fifty-sixth annual conference, has decided formally that socialism and capitalism must come to terms" was the opinion of the Labour correspondent of the *Manchester Guardian.*

This would be correct if Brighton was the end of the story. But it is not. Editorially the *Manchester Guardian* was more cautious. Does the decision mean, it asked, that Labour has rejected nationalisation as the centre of socialist policies, and it answered "One can hardly say that with certainty—yet!"

The battle around Labour's policy is the battle for the future of the Labour Party. Naturally the right wing will claim that Brighton has resolved the controversy. To accept this would be fatal both for the policy of the next Labour Government and the future of the Labour Party. But the fundamental clash on the issue at the Conference shows that, despite the vote, the discussion on policy will become still more acute.

This policy discussion has to be seen against its political and economic background. In effect it started before 1950 and was the outcome of the experiences of the 1945 Labour Government. The great promise of basic social change after 1945 did not materialise. The social reforms and the nationalisation programme gave way to the traditional handling of capitalism's problems, which facilitated a Tory return. It is relevant to recall that in 1950, and especially in 1951, Morrison argued, as Gaitskell did at Brighton, that the only way to win the "marginal" voter was to water down Labour's programme. In the 1951 election manifesto nationalisation was abandoned but the Tories, not Labour, won the election. Since then the discussion on policy has raged, with the exchanges growing sharper as the Tory attacks mounted.

Within the movement, the result was the swing to the left in the constituency parties. It culminated in the election of Bevan as treasurer and the Bevanite candidates to the constituency seats on the E.C., and the hope that they would fight

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as an organised force in the Executive for a real left policy. The parallel development in the trade unions was the growth of militancy and struggle and the advance of progressive and left policies in the unions generally, with the consequent effect on the T.U.C. and the Labour Party Conference.

After the 1955 election defeat the struggle around a new policy at the Conference of that year was headed off by the Executive's proposal for a comprehensive review of Labour's entire policy in a series of statements to be submitted to future conferences.*

Industry and Society was the most important of these, as it dealt with the central issue of nationalisation. Its publication coincided with the change in the political situation arising from the catastrophes of Tory policy—Suez, the Rent Act, the widespread strikes and finally (on the eve of Brighton) the economic crisis, the 7 per cent bank rate and the declaration of war on the unions. The by-elections showed the mass political desertions from the Government, but without Labour gaining in votes—which emphasised the urgency of the policy issues.

In the preparation of *Industry and Society* the right-wing forces on the Executive had to face the fact of the left swing in the movement. Merely to abandon nationalisation meant certain defeat. It had to do the double job of critical analysis of capitalism, an apparent re-affirmation of Labour's aims of public ownership, but with conclusions which in effect abandon all socialist pretensions and carry forward the defence of monopoly capitalism far beyond anything yet done. It was as if the Left wrote the document and the Right the crucial conclusions.

This explains the complete confusion which has prevailed since, with Bevanites Mikardo and Crossman defending it as a great left advance and *Tribune* and Herbert Morrison(!) denouncing it as a right-wing retreat; with Harold Wilson at Brighton saying that it involves nationalisation, and Gaitskell uncompromisingly rejecting nationalisation. Unanimity of Left and Right in the Labour Party Executive behind the document has resulted in confusion, not unity. The Bevanite Left is split and divided for the benefit of the Right. The union votes were cast in support without union conference discussions and decisions.

The 4 million majority at Brighton, therefore, in no way reflects the real position. The struggle launched against *Industry and Society* by the manifesto of the thirty-two M.P.s and carried on in the Conference by the N.U.R., the E.T.U. and the constituency delegates has only begun.

But to win that struggle demands clarity on what the basic assumptions of the policy statements are and why these assumptions should be rejected.

The major claim is that they comprise new thinking demanded by the new problems and developments in British capitalist society. What has happened to the social structure of Britain since the war, how far has Labour policy and especially six years of Labour Government changed society? What should be the social and political purpose of Labour policy now? These are some of the issues involved.

When the statements set out to estimate Labour's achievements in 1945-51, they are mutually contradictory. In *Industry and Society*, it is claimed that as a result of nationalisation and the economic and social measures of the Labour Government, together with full employment, "a far-reaching redistribution of social, economic and political power was accomplished". On the other hand, *Towards Equality* states: "But full employment and extended social services, great as their benefits are, have carried us only part of the way. If we look honestly at Britain today we must admit that . . . in its essential ours is—and is felt to be—a class society."

Valuable economic and social gains have been won in the struggles of the past twelve years. At the same time, however, the capitalist grip on Britain has tightened. There has not been any far-reaching redistribution of social, economic and political power. Alongside the growing strength and political capacity of the British Labour movement has gone the further concentration of economic power and wealth in the hands of the monopolists, and the further integration of the state with the monopolists.

To a certain extent, Labour's policy drafters have been forced to acknowledge this growing concentration of economic power. The material is now well known—the emergence of the great firms which dominate industry, the great new capital investments out of accumulated profits, the extreme concentration of share-holding, the huge capital gains, over half of which goes solely to the wealthiest handful of shareholders. The full-employment welfare state is also the high profit state; the capitalists have never been more wealthy. As it is put in *Towards Equality*: "In modern society power is increasingly concentrated. . . . The real problem is the power that is now vested in a few hundred large companies. . . . Their decisions also influence the social structure."

What then about the repeated propaganda of

* Labour policy statements so far published are: *Industry and Society; Public Enterprise; Towards Equality; Personal Freedom; Homes of the Future; National Superannuation.* Labour's colonial policy: (1) *The Plural Society;* (2) *Economic Aid;* (3) *Smaller Territories.*

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the redistribution of income by taxation? In point of fact, the complete failure of taxation policy to make a dent in capitalist wealth is admitted:

> "Indeed the slow progress of tax policies—both progressive taxation and death duties—in reducing significantly inequalities in private wealth, must in large part be attributed to the special character of equity shares and their ownership by the rich."
>
> (*Industry and Society*, page 33)

Similarly, the devices of "people's capitalism", profit-sharing etc. have had, it is roundly stated, a negligible effect on shareholding.

Under capitalism, the policy documents declare, there is a strong and persistent trend towards economic and social inequality, and a major cause of that inequality is that our schools "not only reflect the existing class structure, but also help to perpetuate it". In modern society not only is power increasingly concentrated; there is still serious poverty, with one in twenty-five living in hardship; and the summing up is, "We are still 'two nations' economically as well as socially".

What is new in this analysis? Not the facts. Marxist social theory has consistently pointed out these facts and the social and economic reasons for them.

The Nature of the State

The crux of the problem which faces the Labour movement is that the conditions of the welfare state have not prevented, but have assisted the further concentration of wealth and exploitation. This is the other side of capitalist "prosperity". Despite all social gains, Labour Government policy failed to bring about any notable change in class structure—indeed, the power of the capitalist class in the state and throughout the economy has grown. This is the central issue which any new statement of Labour policy must face if that policy is to advance the working class and the cause of socialism.

Political and social power and economic power go together. The paradox is that the Labour movement is stronger than ever in numbers, organisation and capacity for struggle. The Labour movement has the power to challenge and change this position—indeed it is increasingly challenging it now—the problem is the policy and leadership around which its mass strength could find expression.

But the analysis is only partial, de-gutted and abstract. It is admitted that these tremendous concentrations of economic and social power are not controlled by the normal processes of capitalist democracy. The analysis refuses to face the fact that the British State is a capitalist state. Not only are the Tory Party and the Tory Government the instruments of the monopolists. They have taken over the state. The entire social order is based on capitalism.

While attention is drawn to the fact that the educational system perpetuates existing class divisions, what this means is not explained. It means that the social position and thinking of the higher Civil Service, the Foreign Office, the armed services, the legal profession and the establishment are generally capitalist, and capitalist control of the state is perpetuated as well as existing class divisions in general. These people become the directors of quasi-state bodies and of the big trusts. The result is that the general policy of the country, economic and political, at home and abroad, is designed to protect and advance capitalist interests. The Labour Government did not change this in any essential respect. The theory of the neutral, above-classes state, which is an essential part of the reformist outlook, is the Achilles heel of the Labour movement.

If the outlook and ideology of the Labour Party is to be socialist and not liberal-reformist, any new policy must squarely face as the central issue the break-up of the concentration of economic social and political power now in the hands of monopoly capitalism. Such power must be placed in the hands of the working class.

It would indeed be new thinking if the programme statements did this. But they do not. They are the old reformist thinking expressed in somewhat new terms. The most comprehensive statement of aims is presented in the document *Personal Freedom* as follows:

> "The Labour Party aims at a society resting upon the following basis:
> (1) Concentration of power—military, political and economic—should serve, and should be seen to serve, the whole community, and not dominate it.
> (2) Privileges of the few must be transformed into rights available to every citizen.
> (3) A fairer distribution of wealth and opportunity must be advanced by positive state action, with the assistance of a free trade union and Co-operative movement.
> (4) Effective civil liberties and an independent judiciary must safeguard personal freedom against abuse of power, either by the state or by any organisation."

While elsewhere there is talk of a classless society, the key points here are that concentration of power (which it is admitted is in the hands of monopoly capitalism) should serve the whole community, and that there should be a *fairer* distribution of wealth and opportunity. The argument is that the monopolies can operate in the interests of all under a measure of control.

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The public ownership aim of the 1918 Constitution is abandoned, and with it any pretence of social ownership. This is the first underlying assumption of *Industry and Society*

The second main assumption is that full employment in capitalist society with its automatic capital gains will continue indefinitely.

The two main propositions of *Industry and Society*—public control of monopoly concentration and state participation in capital gains by shareholding—follow from all this. We are told that the big firms as a whole are serving the nation well; there is no intention of interfering in the management of firms doing a good job. (pp. 48-49.) In the small firms the traditional sanctions and awards of capitalism can operate.

> "But for the large firms, the dominant enterprises in the economy, such a policy is no longer sufficient. Our task here is, while recognising the great importance of efficiency, to secure for the community an increasing share in the fruits of industrial expansion and to introduce appropriate forms of accountability and control." (p. 89.)

It is important to clear up the point—does *Industry and Society* (apart from steel and road haulage) mean more nationalisation or not? At the Brighton Conference Gaitskell tried to argue that the question was left open, dependent on the outcome of the proposed enquiries. The important point to note is that the Executive firmly rejected every attempt to name a single industry which would be nationalised, Gaitskell arguing: "The Executive could have come to you today and presented a document with a long list of further industries to be nationalised, without a new idea in it, and you would have probably received it with acclamation. Why did we not do that? Because we would have been putting something to you which we did not believe we could carry out, and which the electorate were bound to reject."

Although there is talk of possible nationalisation after enquiry, in essence nationalisation as a policy (apart from the two exceptions) is rejected.

While there is talk of other forms of public ownership, on examination this amounts to very little. Any action is to be governed by whether the industry or firm is working efficiently. Those working efficiently are to be left alone. By definition the big firms are doing so: therefore the great monopolies, the backbone of capitalism, are specifically excluded from public ownership. As efficiency, not social ownership, is the criterion, the form of public ownership is left vague and undefined—"it may be that public ownership of a single firm will suffice to break a production bottleneck or restore competition in a monopolised industry." Further, public ownership on these grounds "need not of itself call for the exercise of more control than is at present exercised by private shareholders."

With the rejection of social ownership as a policy, the issue then becomes "appropriate forms of accountability and control." One might think that some far-reaching measures are going to be put forward. But the propositions of *Industry and Society* are of the most feeble character ever advanced by the Labour Party:

> "The problem of control is given new emphasis by the emergence of large firms as the dominant institution in the private sector. . . . We do not wish to subject these firms to detailed supervision: the great majority, indeed, are serving the nation well. But in view of their immense economic power, the community is entitled to satisfy itself that these independent boards act in conformity with the needs and interests of the nation. We propose to review the Companies' Acts with this end in view." (p. 58.)

As to the personal financial practices of the Boards, these "will be brought under review to see that they conform to the ideas and expectations of a democratic society." A new code of conduct must be established, if need be with the force of law. So the answer to the ever-growing concentration of capitalist economic power, admitted by Labour to be a menace to any truly free society, boils down to a review of the Companies' Act and a conduct code.

Shares in Capitalism

Apart from that, what is proposed are the usual forms of economic controls for full employment and to ensure a surplus for overseas investment and the necessary investment at home.

What about the fairer distribution of wealth and the proposed share in the capital gains?

These are supposed to be secured by:

1. The national superannuation funds raised in accordance with the Labour proposals are to be used by the Government to buy shares in capitalist concerns—the income from these investments becoming part of the fund for the current payment of pensions and benefits.

2. Payment of death duties is to be accepted in the form of shares.

It should be noted that the only object supposed to be served by these state shareholdings is fairer distribution—control of the firms concerned by this method is specifically excluded. The taking of shares by the state is to be "guided solely by investment considerations and will not be aimed at securing control."

No attempt is made to estimate to what extent, if any, these measures would bring about a "fairer" distribution of wealth. For example, the

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superannuation fund is to be built up on the basis of high contributions from working people—higher than are needed to meet the costs of the new pensions. Having thus taken from the people large amounts for many years, the surplus so raised would be invested in capitalist concerns. The interest—on the capital provided by the people—is then taken by the Government to pay higher pensions. It is difficult to see where the "fairer distribution" comes into this scheme.

How long is the situation which these policy statements are designed to cover expected to last? There is no clue, but presumably for ever, and certainly at least until A.D. 2010! For this is the assumption in the national superannuation document, as many Socialists have pointed out. For what is the essence of the scheme? Contributions are to be paid on the basis that builds up an investment surplus each year above all claims, and the declared aim of half-pay pensions would not be fully available until the year 2010. The scheme entirely depends on the continuation of capitalism—and, incidentally, of capitalist prosperity.

Despite the admitted facts of economic ownership, the Labour Party is here being committed officially to the acceptance and indeed approval of the monopoly capitalist system. The "control" involved is a misnomer. The form chosen for the "control"—modification of the existing Companies' Act—is in fact formal recognition that what is intended involves no major change.

All this makes nonsense of much of the entire document on *Personal Freedom*.

Freedom for Whom?

Democratic Socialists, it says, strive for two main groups of freedoms—civil liberties "and those freedoms that can only exist in a classless society." This, it claims correctly, is a wider conception than that held by other (capitalist) parties. The parties of the Right (the Tories) have been forced to concede civil liberties, but are against the other freedoms, while privilege based on class "prevents the growth of a really free society."

In point of fact civil liberties and the freedoms which can only come with an end to the class divisions of society cannot be separated in this way. Civil liberties are restricted in class society by the ownership of wealth, as the document shows when it considers press freedom. The full development of civil liberty and freedom in society is bound up with the fight for economic change.

What are these freedoms which are different from civil liberties?

They are freedom to work, freedom from poverty and want, the freedom arising from social equality brought about by the abolition of privilege based on capitalist ownership of wealth, the new relations between men that come about in industry as a result of social ownership etc. In a word, these are the freedoms which have been achieved only in the socialist societies.

For the development of these freedoms working class political power must replace capitalist class political power. The authors admit that these wider freedoms are only possible in a classless society. But a classless society can only come from a social revolution, however this revolution comes about—whether it comes without violence, by the parliamentary road, as we think it can come in Britain, or as it came by the Russian or Chinese roads.

Equality

Inequality, says *Towards Equality*, is caused by capitalism and the educational system. But, as we have shown, the proposals in relation to capitalism are not designed to bring about any real change and are confined to a few modest measures of control. Presumably at a later stage Labour's propositions regarding education will be advanced. But unless changes in the educational system, whatever they might be, are accompanied by changes in the social system, social inequality will not be ended. The directors, managers, lawyers and civil servants may as a consequence be drawn from people of wider social origins, but they will still be administering the capitalist system.

The dilemma involved in trying to solve such problems within the confines of a capitalist social system is seen when the documents consider the "rights" of property. Ownership of property is regarded as a right, but not as an absolute right—the first responsibility is that it should be used and developed in the interests of the community. So when accumulation of property brings with it decisive economic control over others (as in capitalist Britain today), the use of that power, it is said, must be subject to public control.

The purpose of capitalist property ownership is exploitation, to extract profit, interest and rent from the labour of the people. This is the basic antagonism, which cannot be resolved within the limits of capitalist society, whatever the "controls." This is the reason for the class struggle, as is classically illustrated in the new Tory Rent Act. Working class struggle in the past imposed rent control on a section of capitalist landlords, that is, the freedom of the landlords to raise rents and evict tenants was forbidden. The Tories have restored these freedoms of the landlords, and have destroyed the freedom of the tenants. The two freedoms are antagonistic and irreconcilable.

Faced with this classic antagonism all the policy

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statements can do is to fall back on the old reformist thesis of the neutral state and Parliament trying to reconcile this class antagonism.

"The Labour Party believes in striking a balance in the use of the power of the state. In practice this means that Parliament has to decide between the often conflicting claims and interests of social and economic groups."

The principle claimed is that "the Labour Party believes that the state is made for man, not man for the state", and the problem is: "How far can the rights of the majority be advanced while safeguarding minority rights?" The Labour Party, it is said, is jealous for the citizen's rights against the state.

No study of state and citizen rights is of any use unless it is specific—what state, what citizens, what rights?

What we are discussing here is capitalism and the capitalist state. The major social-political antagonism, governing all others in a class-divided society, is that between worker and capitalist, landlord and tenant etc. In a social sense, therefore, the "majority" is the class without property—the vast mass of the population—while the "minority" is the comparative handful of property-owners, capitalists and landlords. How in such circumstances can the rights of the majority be advanced while minority rights are safeguarded? The rights here involved are mutually antagonistic. The British State is not neutral in this conflict of rights—its function is to support the propertied minority.

Role of Parliament

Parliament is not an abstraction. At any given moment it is a Parliament with a given party majority. With the existing Tory majority, Parliament does not strike a balance between any really important conflicting social claims—it enforces the rights of the propertied minority against the majority.

The reality and value of civil liberties won under capitalism is the facility these give to the working class to wage the class struggle. Free speech, press and organisation can bring about a situation where, by industrial and political struggle, the working class to a greater or less degree can impose its will on the capitalist class. The securing of the fundamental freedoms, as the Labour authors themselves admit, is dependent on achieving a classless society, or in other words a social revolution.

The extent to which a Labour or a socialist majority in Parliament works to change society depends on the policy pursued. With a real socialist policy, Parliament could enact laws to bring serious social change, or, as *The British Road to Socialism* puts it, Parliament really becomes an instrument of the people's will, of the "majority". But in that case it would be advancing the social claims of the majority against those of the minority. In principle this would mean that the working class uses Parliament as the ruling class uses Parliament today—as an instrument of political power, in their class interests.

The document on *Personal Freedom*, therefore, fails to advance the case for those freedoms which can only exist in a classless society. It advances valuable propositions (even if at times somewhat limited) regarding some civil liberties—for example, on access to courts, delegated legislation, administrative tribunals, and public enquiries. But to the extent that it deals with the bigger crucial issues, it follows the traditional capitalist pattern, and this is particularly the case when state security is discussed. On matters of state security, of course, Parliament is allowed no rights. Sufficient is it for the Prime Minister to say the issue is one of state security, and Parliamentary debate can be forbidden.

Personal Freedom declares that a free press "is vital to democracy"—that is, a press free from Government control. The British Government, of course, does not need to control the press. It is already suitably controlled in their view by big business, so that in the words of the document "most people get impressions distorted to suit the political and personal prejudices of the millionaire owners and the interests of the advertisers".

What follows from this? The fatuous statement that "a competitive commercial press, despite its disadvantages, is certainly preferable to a press subject to state control: indeed, we would welcome a much more diverse pattern of ownership"! But how? Who besides big business possesses the means to start and maintain a new daily newspaper, when in these days even the *Daily Herald*, the Labour Party organ, has passed under the exclusive control of the Odhams combine? Of course the alternatives—millionaire ownership or state control—are false alternatives. The real solution is that the papers should be handed over to the various people's organisations.

Attitude to Colonies

Today the colonial liberation movement is one of the major factors in the world political scene. Labour's attitude to Britain's imperialist possessions, therefore, is of the greatest importance for summing up the basic trends of Labour policy today.

The vital statements for major colonial principles are those dealing with the big colonies, and economic aid. *Plural Societies* deals with the so-called multi-racial territories—mainly Kenya,

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Malaya, Northern Rhodesia, Nyasaland and Tanganyika.

It must be noted that under the cover of the term "plural societies" what is really being dealt with are those colonial territories where there are a substantial number of white settlers. It is these who create the problem, in territories where other national groupings got on well enough together before the settlers arrived. But under the abstract words "plural societies" the Labour Party documents are able to present the problem as if it is due to the mere mixture of national groups, and not to the dominating position, with the backing of British imperialism, of one group of exploiters.

Two main principles are laid down:

> "That, ultimately, the people of each of the colonial territories have the right to determine which particular form of constitution (perhaps some entirely new form) best suits their own requirements, and
>
> "That the best way of giving the people of each colony the opportunity of deciding what final form of constitution they desire, is to provide for the election of representatives by universal adult suffrage, on the principle of 'one person one vote'."

With these general principles few Socialists would find fault. The point is made, however, that it is for Britain to decide how the job is to be done. "It is Britain's responsibility to ensure that this process is fully carried out before British authority is withdrawn."

The statement goes on to emphasise that "the common electoral roll is indeed the vital test of political democracy in the plural society". However, in the very next sentence it is stated that "we cannot expect to establish the common roll immediately everywhere", and the result is that it is not proposed to establish it immediately *anywhere*. It cannot be done anywhere in Kenya, Uganda, Tanganyika, Northern Rhodesia and Nyasaland, because, it is bluntly stated, the European settlers "fear that they would be swamped by the numerically superior Africans". The common roll and universal adult suffrage are therefore *ultimate* aims. The immediate aim is *parity of franchise and representation*—an equal number of African, Asian and European representatives. The fundamental European opposition to equality for the Africans is noted—"the economic, political and administrative power of these minorities is so great—especially in Kenya and Central Africa—that their antagonism could violently dislocate these societies". What is Labour's solution for this problem? It is that the British Government should "retain political control in all these plural societies until such conditions for the establishment of full democracy exist". At the same time it is asserted that there must be safeguards against an African elected majority becoming a danger to the European minority, and that it "may even be necessary to invest Governors with reserve powers for a period to protect legitimate minority interests against excessive nationalist ardour".

Labour policy is caught up in a dilemma because it refuses to face the central issue that there can be no reconciliation in this way of African interests with those of the white settlers, based as these are on the alienation of the Africans from the best land and on the imperialist exploitation of Africa's main resources. So in effect the operation of adult suffrage for the overwhelming African majorities and of "political democracy" leading to a constitution which might mean national independence, is made contingent on the satisfaction of the "rights" of alien settlers. Even at this stage, for an indefinite period Britain is to retain political control and operate Governor's reserved powers.

Indeed, the underlying assumption is all along, dependence or not, that the great British monopolies which will hold economic power in the metropolis under Labour rule will continue their exploitation of the colonies.

The document *Economic Aid* is an advance on former Labour declarations in that it underlines the nature of colonial economic exploitation, admits that the British Government "grants-in-aid" do not touch the fringe of the problem, and for the first time draws attention to the sterling assets of the colonies, which mean that "instead of our financing the colonies, they have financed us". The theme of the pamphlet is the need for economic development in the colonies, "a major challenge of our time".

The statement is full of all kinds of contradictions. It states that "the colonial workers remain the prisoner of their own poverty", but also "subsidise the needs of the wealthier metropolitan country".

The conclusion is that colonial economic development depends on the sacrifices of the British workers, that to assist the colonies we must cut down personal consumption, and that economic aid to the colonies "will mean more sacrifice and more work".

The main proposal is to devote 1 per cent of Britain's national income (that is, about £160 million) each year for economic development in the colonies—though the creation of a heavy industry base and a machine-producing industry is never mentioned.

The proposition is that the big colonial monopolies will continue their exploitation, while the British worker is to sacrifice for colonial development. The fact is that the main colonies,

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as a whole, produce more than enough wealth for their own development, but this wealth is sucked from the colonies by the monopolists. The pamphlet shows, for example (p. 5), that only 13 per cent of the money income of Northern Rhodesia finds its way back into the pockets of the African people, who form 97 per cent of the population.

A British Socialist Government would be morally bound to help in the development of former colonial territories. But its most important act, in taking over British capitalist wealth for the British people, would be to restore the colonial assets of the British monopolies to the liberated colonial peoples.

Conclusions

What are the conclusions to be drawn from this survey?

Taken as a whole, the new Labour Party policy statements are an attempt to commit the Labour movement formally and officially to the support of modern monopoly capitalism.

The Labour movement is told that the monopolies serve the nation well, and that therefore there is no need to take them over. Not only are the great monopolies to continue as decisive concentrations of economic (and therefore political) power, with profit remaining the motive of society, but the exploitation of the colonies is to continue whatever political changes have to be made.

The very term socialism gives way to "public ownership", which when spelled out becomes shareholding in capitalism—profit-sharing takes the place of socialism.

The attempted "theoretical" justification for this abandonment of the traditional Labour policy on nationalisation is that the big firms are now economically efficient, that full employment is the natural order of things, that wealth will progressively increase, the task is a more equitable "sharing" of wealth. The failure of past Labour Government policy to change capitalist society in any fundamental respect has brought about still greater concentration of wealth in capitalist hands, and the still closer integration of the monopolies and the state. Far from these factors being a reason for the rejection of socialism, they are still more powerful arguments for socialism.

What is the meaning of the statement that the big firms are efficient? It can only be that they make big profits—that they exploit their workers efficiently. The case for socialism is precisely that it puts an end to exploitation, efficient or otherwise. Modern British capitalism is the most extreme exploitation, for only by such means could such concentration of wealth be built up. Militarism and all its burdens and tensions for the people are its indispensable feature. The ceaseless undermining of real wages goes hand in hand with full employment.

Class divisions, far from "gradually" disappearing, have been perpetuated and deepened. The gains of the welfare state, the wage advances, are all threatened. They were won by struggle and can only be maintained in the face of ceaseless capitalist attacks by continued struggle; full employment itself depends not on "efficient" capitalism, but on struggle. The 7 per cent bank rate and the Tory declaration of war on conditions should be warning enough.

Stop the Retreat

What is being attempted here is a fundamental departure from the 1918 Labour Party Constitution. Whatever its weaknesses and inadequacies, this declared that the purpose of the Labour Party was to secure for the workers by hand and brain the "full fruits of their industry", not a "fairer share", on the basis of "common ownership", not "controlled capitalism".

This declaration expressed the broad socialist outlook of all that was best in the movement. For the characteristic of the Labour Party has been the conflict within it between those who stand for socialism and those who wish accommodation with capitalism. This is the reason for the struggle now waging on the new policy.

The policy proposals made by the Labour Party Executive bring out more sharply than ever before the need for the removal of bans and proscriptions, which would open the way for the Communist Party to play its part within the Labour movement in the fight to preserve vital socialist principles, and give new strength to those who stand for socialism in the movement.

One of the most dangerous features in connection with the Labour Party Executive's proposals as we have noted is that the accepted Left within the Labour Party Executive have been won over by the Right, so that these proposals are put forward unanimously, and are now being defended by spokesmen of the Left. When the Bevanite supporters won their positions on the Executive, and when Bevan himself secured his election as Treasurer, it was felt by many in the movement that this would lead to the Labour Party adopting a more positive socialist attitude and policy. The reverse has happened.

Especially since the adoption of the 1918 Constitution the hopes of a determined advance to socialism have inspired the most active workers in the Labour Party. But today the policy proposals are accepted even by the Left in the leadership, in contradiction to all their writings and speeches before they reached leading positions.

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This brings out once again the urgent need for unity, for the ending of barriers that divide the leftward moving members of the Labour Party from the Communist Party, and so weaken the whole fight for socialism in the Labour movement. For the Brighton Conference showed what happens to a "Left" without the Communist Party.

During the war and in the conditions of full employment, the Labour movement has been strengthened in numbers and fighting capacity. Today, despite all hesitations and problems, the movement against the Tories on all issues is rising. The possibilities exist to bring the Tory Government to an end.

But if this is to result in far-reaching and lasting political advance, the issue of policy is decisive. For Labour to endorse the suggested new policy would be a serious setback. The decisions at Brighton are not and cannot be the end of this battle for policy.

The same forces to the fore in all the anti-Tory struggles are those which are to the fore in criticising and rejecting the new policies. But the issue is more than nationalisation or no nationalisation. What is involved is the deepening of the whole political outlook of the movement, the consciousness of the relation of political power and socialism.

Here is the importance of *The British Road to Socialism* for the whole Labour movement, for this is the kernel of our programme.

And this is the significance of the role and responsibility of the Communist Party in the present decisive discussion on policy in the Labour movement. There can be no advance to socialism apart from the Labour movement as a whole. Equally this advance is not possible unless these central ideas are faced and grasped by the widest sections of the movement.

This is the big responsibility for our Party in the policy discussions.

Wages, prices and inflation

Ron Bellamy

I

ALL discussion of wages since 1945 has been conducted in the shadow of inflation. By inflation here is meant nothing very sophisticated, but rather the commonsense meaning of the term—that is, a rise in the general price level, not of the astronomical runaway kind such as hit Germany in 1923, or Hungary and China after the Second World War, but of the "creeping" kind, in which prices rise at an average rate of 5 per cent each year, as they have in post-war Britain (v. Cmd. 9729 of 1956: *Economic Implications of Full Employment,* p. 13).

Explanations of this creeping inflation were usually cast, in the earlier post-war years, in terms of excessive money demand for goods. More precisely, it was argued that if the total money expenditure which people are willing to make in a given period exceeds the total money value of goods available (valued at current prices), then prices will rise. This argument is, in my view, a correct starting point for the analysis of the post-war inflation, an inflation caused by "excess demand".

But (and it is a very important "but") in the public presentation of this argument by Government spokesmen and the vast majority of academic economists, the prices referred to were not prices *in general,* but the prices only of consumers' goods, contained in the cost of living or retail prices index, and the excess demand upon which all attention was concentrated was the excess demand emanating from consumers' expenditure. Since about 80 per cent of consumers' expenditure is made (subject to the proviso given later) from wages and salaries (after deduction of tax) and social security payments, the biggest part of which is received by wage and salary earners or their dependents, it was easy to dramatise before the public the parallel movement of wages and prices since 1945 as a one-way causal relationship, in which wages played the villain's role. The object here was not merely to confuse and demoralise organised labour. For while the absence of an index of salaries comparable to that of wage rates was no more than an accident, it was none the less, when salaries were rising less fast than wages, a very convenient pretext to *highlight* wage increases as the only source of inflationary pressure, and hence to alienate from organised wage-labour the sympathies of less well organised sections of the people.

Partial success in this object was reinforced by two other factors. The first was simply that a parallel movement of two things—prices and wages—is always suggestive of a causal relation-

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ship between them—and bourgeois spokesmen were abnormally reticent in making the statisticians' well-known warning against inferring a causal relation from a parallel movement. The second was the (undoubtedly deliberate) timing of unpopular price increases so as to follow closely on the heels of much-publicised wage increases. An American economist has shown how fear of public opinion and legislation, as well as the fear of stimulating irreversible wage increases in a context where price increases cannot be permanently maintained, may prevent capitalists from raising prices until they are able to shift the opprobrium elsewhere (Professor Machlup: *Review of Economic Statistics,* February 1948). The part played in this process by the state-owned industries has been noticeable.

But once it is admitted that excess demand is the cause of inflation, *all* sources of demand, and not only workers' demand for consumer goods, share responsibility for it. The view that working class expenditure on consumption constitutes the main pressure of demand on available resources is easily exploded by figures that deserve to be widely known. If we call the total resources available (i.e. home production *plus* imports) 100 per cent, then the demand on them in, for example, 1952 was as follows: Personal consumption 54 per cent; public consumption (i.e. Government current expenditure) 15 per cent; exports 20 per cent; gross capital formation 11 per cent (British Iron and Steel Federation: *Steel Review,* January 1957, based on C.S.O. national income and expenditure). Of the item personal consumption, not more than four-fifths can be attributed to spending out of post-tax wages, salaries, and social service benefits. Hence only about 45 per cent of total demand on resources came from workers and their dependents. Even this figure may be too high when one takes into account the lavish expense accounts increasingly used to finance the living standards of the capitalist class and the higher managerial strata. Their precise extent is not known, but the Labour Party's *Industry and Society* suggests (pp. 51-52) that:

> ". . . privilege in its many forms has been financed increasingly from company resources . . . this surely helps to explain why, in an era of unprecedentedly high taxation, the waiting lists of our public schools are longer than ever, and conspicuous consumption continues apparently unchecked."

It is, of course, true that once the economy is working at full capacity an increase in any of the above-mentioned sources of demand is inflationary. But to do no more than make a catalogue of total home demand—a total made up of workers' consumption, capitalists' consumption, capitalists' investments in fixed capital and in stocks, government expenditure on armaments and upon the state apparatus as well as on social services—is to state the problem of inflation as it really is: as an issue of political choice, of the people's standard of living and the building up of the nation's wealth for peaceful construction, versus capitalists' consumption, imperialist investment, and war expenditure.

But since continuous inflation is an abnormal phenomenon, it follows that excess demand is also abnormal. What then are its sources?

In an unplanned economy with no source of demand other than the wages, salaries, rent, interest, and profit derived from current production, and no source of supply of commodities other than current production, there could, of course, be sectional price increases due to the excess of demand over supply in particular sectors; but they would be offset by sectional price decreases in the remainder of the economy, since more expenditure on the commodities produced in one sector means, with a given income, less expenditure available to buy the commodities produced in other sectors. There could be no *general* price increase. This can arise only when spending out of incomes drawn from current production is augmented from additional sources. The only three possible sources are: the accumulations or hoards of past savings, current capital gains in so far as they can be turned into cash, and newly created money. In the post-war inflation all these have played a part.

Capital gains can be expected to accrue to shareholders at an annual rate of £500 million to £800 million if there is a long-term growth of profits at a rate of 3 to 5 per cent per year (Minority Report of the Royal Commission on Taxation of Profits and Income). Given the existing distribution of share ownership it is estimated that roughly 0.3 per cent of the adult population will enjoy at least half these capital gains (v. Labour Party, op. cit., pp. 33-37). While it is unlikely that they would or could turn them into cash, it is generally held that capital gains lead to increased consumer spending on the part of their recipients.

But it is the part played by credit creation which is most hidden behind "the veil of money" and calls for most explanation. Briefly, if employers, when compelled to grant a money-wage increase, can pay it, not out of their current profits, but out of new credit created by the banking system, then capitalists' profits do not fall as workers' wages rise. Therefore total expenditure will rise if wages and profits are fully spent. But to argue that the wage increases are responsible for the consequent inflation is absurd; for it is the expansion of credit

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which allows capitalist expenditure out of profits to remain unchanged. This point is conceded in a recent textbook on monetary theory:

> "It is an interesting sociological and psychological question why the defensive actions of trade unions are more usually held responsible for inflation than the defensive actions of business men; but as a matter of pure analysis both groups are responsible" (A. C. L. Day: *Outline of Monetary Economics,* p. 290 n.)

When Government expenditures, especially those on armaments, are large (and arms expenditure doubled between 1948 and 1951), are they necessarily inflationary? I believe they are; but some of the reasons given by some Marxist writers seem to be unnecessarily open to attack. It has, for example, been suggested that when arms expenditure increases and men are taken off the production of consumer goods to produce tanks, the output of consumption goods falls, while the demand for them, from workers' wages, remains the same, and hence prices rise. This argument is valid only if consumers' demand does remain unchanged. It will not be unchanged, but will fall at the same rate as the output of consumers' goods, if the Government is *politically* able to cut the purchasing power of all consumers (through increased taxes on income, or by borrowing from the public through voluntary or forced saving) by the same amount as the increase in the expenditure on armaments—in other words, if the Government takes from the public through increased taxes and borrowing exactly as much as it puts back in the form of extra arms expenditure.

In the post-war political context British Governments have not been able to achieve openly, by taxation and direct controls, the cuts in working class consumption and social services required to switch resources into the expansions of arms production. Instead, they have allowed or encouraged the banking system, through the creation of new credit, to increase the total volume of money expenditures sufficiently to cause price increases which have kept down the *real* volume of working class consumption, thus freeing the fruits of the annual productivity increases for imperialist purposes. Between 1948 and 1954 personal consumption in Britain rose by 11 per cent, gross domestic investment by 17 per cent, and government expenditure by 33 per cent. Of government expenditure after 1950, arms expenditure rose by 70 per cent, education, health and other by only 2 per cent (all in 1948 constant prices, i.e. in real terms. *London and Cambridge Economic Service Bulletin,* September and December 1956).

Once it was impossible to divert attention from these other and growing sources of demand, the emphasis in bourgeois writing shifted from "demand-induced" inflation to the so-called "cost-inflation". The validity of the argument which forms the core of cost-inflation theories it is proposed to examine at length in a later article. But for the present demolition of the view that prices will be raised automatically by producers when wages costs go up it is enough to suggest first, that unless demand has increased, the price of a commodity cannot be raised without less of it being sold, and it is by no means obvious that selling less at higher prices is the more profitable course, especially where producers have very heavy overhead costs; secondly, firms do not believe themselves to have, under all conditions, this alleged freedom to raise prices. The two following examples are typical of dozens of company reports over the last year, especially of firms working in the export field: Lord Chandos of Unilever reports:

> "We have had to absorb further wage increases, and this has meant that margins [i.e. profit margins—R.B.], especially in the export trade, have shrunk. I do not regard this myself as particularly disturbing: I have frequently told the stockholders that some shrinkage in margins was likely and even healthy as the sellers' market began to fade. The shrinkage in margins must be offset by lower costs and larger production."

A famous shoe manufacturer complains:

> ". . . in common with industry as a whole, your company has been faced with reduced profit margins due to higher wages bills and overhead costs." (*Manchester Guardian,* 10.4.57).

Once it is admitted that the demand situation (whether, for example, one is in a buyers' or a sellers' market) limits the power to raise prices, we are clearly back at our starting point, namely that prices rise because of excess demand.

Changes in the source from which the decisive growth of demand came enable us to split up the post-war period very roughly into three stages. From 1945 to perhaps 1948 (though this varies very considerably from country to country) it is not, I think, disputed that prices would have been very hard to restrain, due to the volume of pent-up demand, even if there had not been a single wage increase. From 1949 to 1953, as we have seen, the main growth was in government expenditure on armaments. During and after 1954 the main increases in expenditure in Britain were in capital expenditures by the private sector, and in orders for privately built new houses. There are many signs—among them the greater steadiness of retail prices, the fall in many wholesale prices, and, as I write, the dispute in the U.S.A. whether inflation or deflation is now the main danger—that inflationary pressures in 1957 are not what they were, though, with considerable overtime still

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being worked and with order books in many industries and countries still relatively full, it may be early, despite a general slowing down of production in the capitalist world, and stagnation in the U.S.A. and Britain, to suggest that supplies have everywhere fully caught up with demand.

II

The immediate post-1945 period was one of reconversion from war to peace, with a consequent temporary decline of production of short duration in the relatively undamaged countries, a sharp decline in industrial production in Western Europe, and a world shortage of food and raw materials. The price increases of this period in all countries are generally agreed among bourgeois economists to have been caused by the excess of demand, whose main sources were pent-up demand for consumer and capital goods, supported by accumulated holdings of liquid assets and creation of new credit. Summing up the contributions of ten American economists to a symposium on inflation (*Review of Economic Statistics*, February 1948), Professor Harris reminds us that:

> "A costly war financed in part by sales of securities to banks brought a vast expansion of money and deposits which are still outstanding."

Other contributors pointed to the U.S. Government's farm prices support policy, to the large export surplus, to tax reductions, government abolition of restraints on consumer credit, to a pent-up demand by consumers equal to one year's income, and to the actions of banks

> "doing their best to persuade both enterprises and individuals to go more heavily into debt despite the fact that an expansion of bank credit would merely give people more dollars with which to bid for the flow of goods which is increasing only slowly."
>
> "The Federal Reserve Banks have moved slowly and with excessive caution in placing restrictions upon the expansion of bank credit."

In the U.K. the same influences were also at work, strengthened by longer and more severe privations, but mitigated in their effects by the maintenance of controls. The monetary policies of the period had, however, by 1948 resulted in an expansion of credit by £800 million—

> "an amount far in excess of the country's credit needs at the time . . . and to expand credit by this amount was virtually to encourage an ultimate inflationary spiral", so that "before 1950 a substantial budget surplus of £830 million failed to prevent inflation because its disinflationary effects were almost nullified by a marked expansion of bank credit to the private sector."
>
> (Ilersic: *Government Finance and Fiscal Policy in Post-War Britain.*)

And this all refers to the period when trade unions were being solemnly told that their expenditure out of wages was the main threat to the price level!

When U.K. import prices rose under the impact of the government stockpiling and private speculative buying of the Korean war period (when U.S. arms expenditure rose by 37 per cent from 1950 to 1951), British industries using imported materials for final consumers' goods were allowed to raise prices. Since workers have to live, a slightly reduced quantity of dearer food was paid for out of the extra earnings of increased overtime and from reductions in expenditure on non-food goods. But additional overtime can be obtained only in an economy where the general level of demand is excessive, and the rise in that level was caused not only by increased defence expenditure, but also by increased export orders and internal stockpiling "on the basis of additional bank credit" (Ilersic, op. cit.).

During this period government fiscal policy contributed directly to the inflation in food prices by cuts in the food subsidies successively from a peak of £454 million in 1948 to £372 million in 1951 under the Labour Government, and further down to a new low level of £262 million in 1943 under the Conservatives. Food and agricultural subsidies amounted to 20 per cent of total food expenditure in 1948; this had dropped to 12.5 per cent in 1951, and to 7.3 per cent in 1953; hence the cuts were responsible for a rise in food prices of about 9 per cent.

Moreover,

> "The rich were tempted to over-spend their incomes, secure in the confidence of future capital gains, and business men in general were tempted to accumulate inventories." (*U.N. Economic Survey of Europe in* 1951, p. 122).

Confident they might well be, for Moody's Index of Equity Share Prices rose by 16 per cent, from 134 to 155 between 1950 and 1951; speculation was tempting enough, for the *Statist* Index of Raw Material Prices rose between 1949 and 1951 by about 50 per cent from 345 to 528.

The recession in the U.K. in 1952, and the consequent slowing down of price increases, was not due solely to the new monetary policy of November 1951. The drop in world economic activity after the Korean speculation and especially in U.K. exports (due primarily to the downward revision of the Australian import programme in 1952 as wool prices fell, and with them Australian purchasing power) reduced both the external and internal demand for British goods. Retail prices in 1952 rose by only 3 per cent, due

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to a rise in the food component of the index, while manufactured goods comprised in the index *fell in price by 4 per cent, despite a rise of nearly 5 per cent in the L.C.E.S. wage rate index.* For the first time since 1945 the wholesale prices of manufactures began to stabilise, and those of basic materials to fall. Even the retail price index, which had risen by about 4 per cent per annum from 1946-50, and by about 9-10 per cent per annum between 1950 and 1952, henceforward slowed down to a rise of about 3 per cent per annum from 1952-56.

Of the re-emerging boom since 1953, which has caused the slower but still not negligible rate of increase of prices, the cause has undoubtedly been the growth of residential and industrial building, followed by a rise in purchases of new equipment. The *London and Cambridge Economic Bulletin* wrote in its editorial in December 1956:

> "Demand was growing rapidly during 1945 in several sectors of the economy, and in two very important ones—capital expenditure by businesses and by would-be house-owners—plans were laid, and sometimes orders placed or even work begun, which implied a large increase in expenditure in the future. In part this rise in demand was due to removal of administrative restraints, such as building restrictions and hire purchase controls. But the underlying demand was itself growing as the period of active trade restored business men's confidence about the future . . . and this growth was greatly stimulated by Mr. Butler's tax concessions (notably the investment allowances)."

But as the Macmillan Committee on Finance and Industry had pointed out twenty-five years earlier, the volume of business can increase, even when profit expectations are good, only with adequate supplies of credit. That these supplies were forthcoming is emphasised by Sir O. S. Franks, the chairman of Lloyds Bank (op. cit.):

> "The expansion of bank credit had been resumed in the middle of 1952. Ever since, bank deposits have been growing steadily, and at their peak . . . in February last [i.e. 1955—R.B.] showed an increase of nearly 10 per cent, or nearly £600 million over the 1952 low point. *Basically, it was this expansion in the money supply that allowed the inflation to continue."* [Italics added—R.B.]

The permissive role in inflation played by credit creation and the initiatory role played by high profits in stimulating capitalists' desires to borrow for real capital investment are well illustrated in the recent testimony of the Chairman of the Federal Reserve Board (the counterpart of the Governor of the Bank of England) before the U.S. Senate committee on finance:

> "A major cause of recent inflationary pressures has been the attempt to crowd into this period a volume of investment greater than the economy could take without curtailing consumption more than consumers have been willing to do . . . The present situation calls for a larger budgetary surplus . . . (a moderation of governmental and private spending). . . . and a continuance of restraint upon the creation of new supplies of money." (*The Times,* 26.8.1957).

We do not wish to underplay the real as against the monetary factors making for inflation. But the willingness of the banking system to lend, either encouraged by governmental action or simply through its own search for the profitable employment of money capital in conditions where profits on real capital are high, or where the Government itself undertakes expenditures too large or politically too difficult to finance from taxation or borrowing from the public, undoubtedly facilitates the formation of excess money demand.

III

Are there then no limits to inflation? This has great practical application to the problem of raising real wages. For (following the argument of our first part), if money wage increases could always be met out of credit expansion (i.e. if the central bank were always willing to expand the cash base of the banking system so that it could in turn expand credit to industrial capitalists), it would follow that money wage increases could (under certain simplified conditions, namely a closed economy of workers and capitalists) be converted into real wage increases only to the extent that increased productivity, lowering wage costs, combined with inter-capitalist competition, forced prices to remain at their old level while still bringing increased real profits to the capitalists. If such a way out were possible for the capitalists, it is, of course, rather hard to see why they resist wage increases so vigorously; though it might be argued that in conditions of a sellers' market they did not resist very hard, and from this it might be further argued that a state-co-ordinated price and wages policy in which capitalists and workers concentrated their main efforts on raising *per capita* real output, while the state guaranteed the maintenance of the existing proportionate share of that output between the two classes, should be the main road to working class advance. Such arguments have indeed formed the basis of many proposals for a national wages policy. The theoretical and practical obstacles to this we have no wish to pursue here; but from its initial premise of money wages and prices rising in the same proportion, there has arisen the question whether:

> ". . . inflation may have provided the substitute defence mechanism against trade union encroach-

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ment on surplus value, in place of a traditional mechanism of the industrial reserve army. If this be true, then monetary policy acquires a crucial class content; a corollary of which is that monetary policy needs to become a supplementary concern of trade unions to negotiation about wages."

If inflation were expected to be a permanent phenomenon, the validity of the corollary would be crucial, though it has, I think, usually been held by Marxists that since price and monetary regulation are matters of state policy, and since no trade union movement has been strong enough in peace time, even under a Labour Government, to obtain price control, it must take prices as a datum and concentrate its main strength on the wages struggle. This is not, of course, to say no attempt should be made to prevent prices rising. But the present writer believes that there are limits to inflation both in general and especially for a weakened imperialist power. The general limit has been well put by Professor Baran:

"Although under the impact of inflation profits increase and the distribution of income shifts in favour of the capitalist class, the capitalist class itself is unwilling to risk the consequences of a major decline in the purchasing power of the currency. Undermining the possibility of rational calculation, depleting the liquid assets of firms and individual capitalists, inflation—and this is perhaps one of the worst features so far as business is concerned—endangers the entire elaborate credit structure of modern capitalism and constitutes a considerable threat to banks and financial institutions. What is more, by causing the development of a cleavage between the interests of creditors and debtors, by dispossessing the new middle class and rentiers . . . it seriously weakens the position of the Government and disrupts the social and political cohesion of the capitalist order" (op. cit., p. 124).

It may be that an isolated capitalist economy with no crises and a steady rate of economic growth could tolerate a moderate slow inflation of the size experienced, for example, in the U.S. since the Second World War. But life knows no such capitalism, and the crux of the matter seems to me to be the law of uneven development, operating in an imperialist world. The bankers are fully aware of the limits: "Inflation," writes the chairman of Lloyds Bank (op. cit.),

"is doubly dangerous for a country such as ours which has to earn its living in the markets of the world. If demand is outrunning the capacity to produce, exports have to fight the pull of a booming home market, while imports rush in to fill the gap in supplies. Even then, serious trouble with balance of payments may be avoided if the outside world is also in the grip of inflation. But if Britain were to remain an island of inflation in a world of generally stable money, then in a free economy only two things are possible. Either we could cling to the existing rate of exchange with our competitive power crippled, or we should be driven to yet another devaluation of the pound. While offering no solution to our domestic problems, repeated currency depreciations would almost inevitably mean abandoning our place as a great financial centre. And it would be unrealistic to imagine that we could then hope to maintain our position as the focus of a world-wide Commonwealth."

More briefly, we can't have both inflation and the empire, unless everyone else conveniently devaluates at precisely the same rate. Given the differences in economic structure, rates of growth, level of technique, relative position of the classes internally, strength of the foreign reserve position of different countries, that is quite inconceivable. We have recently seen in France the attempt of a weak imperialist power to cover by *de facto* devaluation of its currency both the backwardness of its productive forces and the inability of the bourgeoisie to issue a direct challenge to the working class by a cut in money wages. This can hardly bring more than a temporary respite. For the external class position demands an inflationary war, while the internal class position forbids deflationary wage cuts.

IV

To say, as the trade union movement so often has, that increased money wages *can* come out of profits, is to make a point of arithmetic, not of economics; for it follows from the definition of the product of industry as the sum of wages and profits. The crucial question is under what conditions, if any, *will* a wage increase actually come out of profits. Broadly, the answer is when neither prices nor productivity can increase fast enough to raise money value of an hour's employment in the same proportion as the hourly wage rate.

Since capitalists are unwilling to accept a cut in profits, they will raise prices if they can. The conditions under which they can have already been shown to depend, at full employment, upon the level of state expenditures, upon state fiscal and monetary policies, and upon the presence and effectiveness of price control. Under capitalist and reformist governments there is as yet no evidence that a powerful trade union movement can effect those state policies required to prevent a price increase. It follows that any government seeking success in the twin aims of full employment and income redistribution in favour of the working people—aims which though almost universally propounded and modest-seeming enough, meet in

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practice with all the inbuilt resistances of capitalist production for profit—must have adequate control of the money and credit system. Experience has shown that the ability of a central bank (such as the Bank of England) to restrict the cash base of the commercial banks is insufficient to prevent a rise in bank advances to industry and trade so long as these banks either are operating with an abnormally high liquidity ratio, or can sell some of their investments when pressed for cash. Since banks are capitalist institutions run for profit, and since advances are their most profitable asset, they are naturally unwilling to forgo their expansion in conditions which favour it, especially if the alternatives offered them by a progressive government (bent on a low interest rate to finance economic development) are securities with low returns. It seems likely that control under such conditions would be more effectively obtained by the nationalisation of the commercial banks.

If however the capitalists cannot raise prices, a rise in money wage rates will increase their (ever present) desire to reduce wage *costs* per unit of output by increasing productivity. For wage cost varies directly with wage rates and inversely with productivity. (This is a major motive for introducing automation into the motor-car industry as well as for the recent boom in capital investment.) No doubt they will also attempt to reduce the costs of their material supplies by putting additional pressure on small capitalists and upon colonial producers. If the reason why prices cannot be raised is the end of a sellers' market (or an incipient crisis of relative overproduction) the increase in productivity, usually accompanied by an increase in total output, aggravates the difficulty of maintaining prices, since the excess of supply over demand increases. At this point the defensive reaction of the capitalist system begins to operate differently, in the direction of cutting back production, causing unemployment. In export markets, for example,

> ". . . if the rates of exchange are such as to allow traders no more than normal profits, a rise of wages makes production unremunerative; instead of inflation, unemployment results." (R. G. Hawtry: *Bankers' Magazine*, September 1957.)

It is therefore argued that trade unions can increase their share of the social product under capitalism only at the expense of unemployment. The fight for simultaneous income redistribution and full employment thus logically implies a fight for increased socialisation. For if capitalism cannot operate the productive forces fully except through the social inequity of high profits, and cannot forgo high profits in favour of social equity except at the cost of unemployed resources, then social justice and economic progress alike demand its socialist transformation.

It follows from our analysis that trade unions have been right, of recent years, to concentrate their main forces in the field of economic policy upon the struggle for money wages, and to avoid being diverted into discussion of national wage policies based upon the premise of price control. It follows, too, that as the market struggle sharpens, the British capitalists will return to their traditional attempts to create conditions in which money wages can be cut.

V. Postscript

Exactly a week after the above conclusion was drawn about the causes of and limits to inflation, events showed its essential correctness. For by raising the bank rate to 7 per cent, the Conservative Government, in the words of *The Times* leader of September 20th,

> "puts employers and unions under notice that it is not the Government's policy to provide fresh credit to finance wage increases or the passing on of higher wages in higher prices."

At the meeting of the International Monetary Fund in Washington the Chancellor of the Exchequer was brutally frank:

> "What is needed . . . is for the Government to be prepared to deny the extra cash, whatever other painful consequences may follow . . . These measures will be effective. They will be pushed to the lengths necessary for that purpose."

The *Economist* correctly notes that this marks the end of an epoch—an epoch of professions that full employment was the indestructible foundation of government policy.

> "This is the first time since the war that any British politician has openly offered to face unemployment, should that be the price of beating inflation and defending the pound" (*Economist*, 28.9.57).

Though the immediate cause precipitating this sharp turn in policy is the spectacular drain on the gold and dollar reserves of the Sterling Area in August and September, this drain is itself the reflection in the minds of foreign holders of sterling of the underlying weakness and suspected inability of British imperialism to carry out its self-imposed task of maintaining, even restoring to its former glory, the empire by obtaining enough surplus in the foreign balance of Britain to facilitate overseas investment on a scale which will preserve the Commonwealth from American (and perhaps soon German) blandishments.

But this attempt to build up a surplus is not taking place against the background of the sellers' market of 1946-9, or in the context of the Korean

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war, when world stockpiling for war provided British imperialism's milch-cow, the Sterling Area, with a rich supply of dollars, nor even in the period 1952-5, when the basis for a modernisation boom still existed. On the contrary, it takes place at a time when two major capitalist economies, the U.S. and Britain, have been stagnant for a year, when a U.S. export drive appears to be under way, and German capitalism is speeding up its attempts to penetrate the markets of India, Africa and the Middle East.

Complaints are heard from British capitalists that equilibrium in the world balance of payments could be restored, and the dollar and mark famine ended, if only Germany and the U.S.A. would export capital instead of hoarding the proceeds of their export surpluses. That American capitalists are not unwilling to export capital is shown by the growth of their investments in Canada. But Ghana, India, Nigeria—and increasingly the Middle East—are not Canada. The German business delegation to West Africa wanted to expand raw materials production there; the Africans want a steel re-rolling mill. So far U.S. private investors have in the main waited for their Government to warm up the investment climate before venturing their capital. Paradoxically, in the most vital areas this has raised anti-imperialist feeling and made the climate one in which "risk-bearing capital" cannot safely be risked. No doubt German and American capitalists would be willing to invest in the safer reaches of the Commonwealth—perhaps Mr. Thorneycroft received hints in Washington along with the loan. But this is not the early twentieth century in which the imperialist powers could merrily divide and redivide the world without let or hindrance. A powerful socialist sector, the demands of the colonial peoples for a path of independent development towards industrialisation, and the repudiation by people everywhere of military solutions, bar their way.

The British monopolists and bankers are thus faced with the need for drastic measures to bring down wages. The Labour movement in turn is faced with the need for strong defensive actions as a preparation to more radical and lasting solutions.

It is grossly inadequate to confine criticism to the indiscriminate effects of monetary policy upon investment. This technical criticism obscures what is important, namely the discriminatory class character of the investment cuts it engenders. It has been noted already (Lydall in *Economic Journal,* June 1957) that the effects of the earlier credit squeeze were primarily upon the small and middle-sized firms, for the largest are substantially self-financing. Already the effect of the new rise in interest rates charged by the Public Works Loans Board is being felt in the cut-back or postponement of slum clearance in a number of cities. Investment by the nationalised industries and in the nuclear energy programme is being cut by direct Government fiat.

The consequential unemployment will be felt not only in building and building materials, but as workers in those industries are laid off the cut in their purchasing power is bound to affect the consumer goods sector. No doubt the Government wants only enough unemployment to blunt the sharp edge of trade union militancy and organisation. But as experience in the U.S. in 1953-4 shows, the governmental "planners" in an anarchic capitalist economy do not find out until too late the direction and speed of movement of the economy they are supposed to be regulating. It is little wonder that with the major temporary supports of the post-war boom weakened if not crumbling many honest and forward-looking Keynesian economists are apprehensive of the Government's ability to keep in check a deflation once initiated. This is perhaps not the moment to remind them that for a dozen years they have been telling Labour that old attitudes based on the dangers of unemployment were outmoded, and that if that danger appeared the state would interfere to prevent unemployment. It is bitterly ironic that the state is interfering, not to avert, but precisely to foster unemployment. But it is the moment to ask, what honesty and humanity demand, that they shall join with organised Labour in formulating and pressing on the Government measures designed to avert unemployment, and, as the best guarantee of their successful implementation, to hasten the unemployment of the Conservative Government.

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Origin of life on this earth

Professor J. D. Bernal

THE question of the origin of life is, in these years, as important if not as dramatic a question as was the origin of species a hundred years ago. Both were supposed to have been answered in the Book of Genesis when in the first days of creation living things came into being by divine command. But this achievement was not considered in early ages a particularly great one. Three hundred years ago the origin of life appeared to be a perfectly natural phenomenon; it was expected that flies would come out of rotten meat, mice and frogs out of mud, and even human bodies were deemed to breed their own lice. However, from the Renaissance onwards a number of sceptical experimenters gradually demolished this naive view. Redi put muslin over meat and prevented the maggots from appearing in it; Spallanzani put boiled broth in sealed vessels and showed that it did not go bad. The discussions went on and were not really closed until the great controversy between Pasteur and Pouchet about a hundred years ago, when Pasteur's experiments seemed to show that no form of life, even the smallest bacterium, could arise except out of living material. It would seem as if the question of the spontaneous origin of life had been settled once and for all in the negative.

Nevertheless, for the last hundred years, biologists have been in a very unfortunate dilemma: they had to admit at the same time that life could not arise spontaneously, and also that all life was descended from one or a few at most extremely primitive forms. "How did these primitive forms get there in the first place?" was a question to which there would be no answer and so it was considered somewhat improper to ask it. The attitude of the scientists was rather like that of pious people long ago who believed that the earth was supported on an elephant which rested on a tortoise. If anyone asked what the tortoise stood on, he was told not to ask any more questions. And that is effectively how biologists remained for the last hundred years, content to study the actual forms of life and their evolution without pursuing them further back into their origin on the pre-organic earth.

However, in recent years the climate has changed and, indeed, there had been no complete cessation of interest in the origin of life, as shown by occasional pronouncements of such great biologists as Huxley in his address to the British Association on "The Physical Basis of Life". Nevertheless, the problem of the origin of life was not considered a serious part of science. Even Darwin said, "Talk about the origin of life? You might as well talk about the origin of the elements." But nowadays we do talk seriously about the origin of the elements, in fact this is one of the major features of modern astrophysics, and sooner or later we are bound to talk about the origin of life as well.

The Oparin - Haldane Theory

It is one thing, however, to state that life originated from inorganic matter and quite another to give some indication of how, when and where this transformation might be deemed to have taken place. The first attempt at this along modern lines was made in 1924 by Oparin, then a young biochemist in the Soviet Union; and three years later a very similar proposal was made quite independently by J. B. S. Haldane in this country. Both had seized on the idea that the difficulties about the origin of life came from not examining closely enough what the conditions must have been like when life originated. There is little chance of life originating on the earth today because life is already established, for any rudimentary type of life which might conceivably form itself now would be seized upon immediately and devoured by existing organisms. It would also be subject to the strenuous physical conditions that have been brought about by life, notably in the presence of extremely active oxygen in the atmosphere.

What could the original conditions have been like? Oparin and Haldane found a clue in biochemical mechanisms of different organisms. There are those that are common to the most diverse forms of life—to bacteria, plants and animals; while others occur in higher organisms only and were presumably evolved later. The mechanism of fermentation, for instance, is found everywhere even in the lowest bacteria, whereas that of oxidation, though enormously widespread, is more limited. There are certain organisms that are actually killed by oxygen. The suggestion, therefore, that life originated in an atmosphere which contained no oxygen was able to explain many of the features of life, in particular how it would have been possible for such complicated chemicals as are needed to build

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life to originate in the first place. It appeared, therefore, that there was an enormous period of biochemical evolution which preceded the earlier stages of what Darwin had established as organic evolution. These views were put forward in Oparin's first book *The Origin of Life,* published in Russian in 1929 with an English translation in 1938, and have been fully summarised in the new edition of his book of which the English translation had just appeared* in time for the symposium in Moscow around which this article is being written.

For a long time Oparin and Haldane remained somewhat lone pioneers, but as time went on it became apparent that a great deal of biochemistry was becoming intelligible only in terms of such a chemical evolution of life. This belief was in line with a philosophic revolution in many fields of thought which demanded something more than an acceptance of the structures of the inorganic or the organic world as given facts, but rather required their explanation in terms of their origin, that is of *becoming* instead of mere *being.* This concept, which owes a great deal to the spread of Marxist ideas, has stretched already to cover such questions as the origin of the stars, the origin of the planets, the origins of the earth's crust and of mountains. It was natural that the origin of life should come in if only as a missing section of the much more general problem of the origin of the universe itself. Interest in the subject mounted and there appeared a number of articles and books in many different countries—in France, the United States, and Britain, as well as in the Soviet Union. A quite interesting little controversy on the subject appeared in *New Biology* in 1953.† It was therefore timely that there should be a full-scale discussion on an international plane of the whole subject. And this was achieved under the auspices of the International Union of Biochemistry in a symposium on the Origin of Life which took place in Moscow last August.

The Moscow Symposium

The importance and seriousness which the subject has now acquired is shown by the evidence and the number of the participants from different countries. Most were biochemists, but a number of geologists and astronomers contributed to the discussions. More than forty of them came from abroad, mostly from the United States and Britain. Few symposia on any subject can have been attended by scientists covering such wide fields of knowledge. Moreover, most of those attending and giving papers were scientific workers who are leading the new discoveries in their respective fields. All missed certain scientists who had shown their interest in the subject but who were unable to come there, such as Urey and Brachet and, most of all, Haldane, whose recent establishment in India prevented his attendance. It would be invidious in an article of this character to attempt to give names of those present for it would take far too long to explain what each of the participants had to contribute, but the feature they all had in common was that their particular work, whether it was photosynthesis, the behaviour of viruses, the nature of nucleic acids or proteins, was seen by the participants to be related to the central question of the origin of life. Indeed, relatively few contributions were primarily concerned with this problem, for the study of the origin of life has yet to establish itself as a discipline. Though it now has, thanks to Dr. Pirie, the name of *biopoesis,* there is so far no chair or research department devoted to it in any part of the world. This gap was the less felt in Moscow for we were all given as the meeting began copies of the translations of Oparin's book, which gives a masterly survey of the whole subject. Moreover, the very arrangement of the symposium followed the general conception of a division of the chemical evolution of life as a sequence of stages, which was discussed in more detail in my own contribution. This enabled the different pieces of evidence contributed by the experts to fall naturally into place.

The symposium itself was an unqualified success. The arrangements were particularly well made, there was excellent simultaneous translation carried out, interestingly enough not by trained translators but by working scientists. Most of the papers had been circulated beforehand and so there was a real possibility for discussion which was long and fruitful. One very important aspect of the symposium was that though discussion was very free and there were many clashes of opinion, these were on scientific lines and not along those of geography or politics. Indeed, the symposium showed more than the mere absence of international friction in science, there was evident a strong wish for real, effective co-operation which was strengthened by the numerous visits which were paid by the participants at the symposium, before and after, to various scientific institutions in Moscow and Leningrad.

Although it will take some time before the results can be effectively put together and worked into a new picture of the origin of life, enough has emerged already to show what progress has been made and how much more could be done with relatively little effort in the near future. It cannot be claimed that there was any revolutionary change in our knowledge brought out by

* A. I. Oparin, *The Origin of Life on Earth.* Oliver and Boyd. 35s.

† *New Biology,* Nos. 12, 13 and 16, 1953.

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the symposium. What was evident, however, was that the general lines put forward by Oparin and Haldane still hold, even though it is already clear that the processes of biopoesis are very much more complicated than they originally thought them to be. On a number of important points their views have been substantiated, but a number of difficulties which they did not foresee have also come to light in the interval which still prevents the picture from being completed. Where the symposium was valuable immediately, however, was to show to those working in the different fields of astro- and geo-physics, as well as of biochemistry and biology, what these difficulties were, so that they would have them in mind in carrying out their work in the immediate future.

From Inorganic to Organic

The subject of the origin of life, unlike that of the origin of species, is, however, particularly difficult to present even to the relatively scientifically educated reader of today. This is because the field with which it treats is one which cannot be visualised and which is outside ordinary experience. The origin of life must have been an essentially very small-scale and almost purely chemical process, and can be understood only in chemical terms. It is not, in any case, too easy even for the specialist because it involves an approach to a number of different specialities, and very few, if any, are acquainted with all of them. To understand what came before life the student must know something of astronomy and geology, while to account for the act which began life, it is necessary to understand inorganic chemistry and its transition to organic chemistry. At a later stage, when we must suppose some kind of organism to be present, knowledge of biochemistry becomes essential.

Nevertheless, the broad outlines are fairly easy to set forth. We must imagine a beginning on an earth otherwise very similar to ours, but without life. We have to find out how, from the actual elements and very simple compounds that existed in primitive oceans and atmosphere, something with the most rudimentary chemical characteristics of life can have emerged. We have to trace, step by step, the evolution, in these early forms, of the complexity of structure and of chemical processes that are found even in the very simplest single-celled organisms that we see today. The work of building up such a picture, if only a self-consistent and plausible one, requires two kinds of minds: imaginative minds who can throw themselves into the conditions which may have existed at the various stages and deduce how the primitive forms of life are likely to originate and change, and critical minds which can point out the inconsistencies in any of the explanations given. Here we are evidently already in the new stage of scientific research, one which exceeds the capacity of individual human minds and which requires organised co-operation covering a range not only of specialities but of temperaments.

At least we may hope from such researches to find a plausible sequence of events. It is not sufficient for us to solve the general problem of biopoesis to show how any kind of life might have originated anywhere. We have to explain how the particular kind of life—the kinds of chemicals and reactions—that occur here on this earth, actually originated. We have to do this on the basis of the evidence which is contained on the one hand in the rocks which inform us about the stages which preceded life, and on the other in living organisms where the chemicals and their interchanges are in a sense living fossils which bear in themselves the evidence of their precursors. There are, for instance, a number of biochemical substances fairly familiar to people in these days, proteins, sugars and fats. One of our problems is to know which of them came first. For example, the substances now very much in the mind of biochemists, the nucleic acids, particularly associated with reproduction and protein synthesis, themselves contain sugar molecules, therefore their existence must be subsequent to that of the synthesis of sugars. The enzymes, by which most chemical reactions in living things are carried out, are mostly proteins, but proteins themselves must have been formed at some time and therefore must contain evidence for earlier stages of substances capable of helping forward chemical reactions.

Stages of Chemical Evolution

It is possible to see the whole story as one of the succession of stages which occurred on the earth over a very long period of time. It is estimated that the earliest fossils that we know are about 800 million years old. But at that time, at the base of the Cambrian, life was very fully evolved: practically all the major types of animals that we know today, except the vertebrates, existed, and it is evident that some fairly elaborate organisms must have existed for a considerable time beyond that, possibly as far back as 1,000 or 1,500 million years ago. However, the origin of life must go back further still, but not indefinitely further back, because we have, as it were, a fixed starting point with the date of the oldest rocks that we know on the earth, which also fits in with what we know of the formation of the solar system, of an age of about 3,000 million years. It is still impossible to fix the earliest point of the origin of life but we have at

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least another 1,000 million years to play with. Once we understand better than we do the stages of the origin of life, it may be possible to find the particular trace elements and isotopes that are characteristic of living structures and by finding them in dateable rocks establish the chronology of the chemical history of life, all other traces of which have been extinguished by geological changes.

As we see it now, the problems of the origin of life can be divided into a prologue, that is the situation of the earth before there was any life; a first stage in which the small chemical molecules of the kind of amino acids and sugars were formed from inorganic chemicals; a second stage —and perhaps a decisive one—in which these small molecules joined together to form polymers of the kind we now meet in proteins, nucleic acids, carbohydrates etc.; a third stage where something like an organism of an extremely primitive and almost structureless kind came together from the interactions of these polymer molecules. These are followed by further stages which mark, on the one hand, the evolution of more complicated biochemical changes, such as fermentation, photosynthesis and oxidation, and, on the other, that of the complex structures which are now being elucidated in cells by the use of the electron microscope, such as the formation of chromosomes, nuclei, mitochondria, microsomes, and other members of the large population of sub-units or organelles that are now recognised as necessary to the functioning of even the simplest cell.

The discussions at the symposium registered considerable progress along both these lines, but more perhaps on the biochemical than on the structural side. Not surprisingly, as the most distant from us in time, the subject of the original surface and atmosphere of the earth was the most disputable. Here two views met in almost direct conflict. The more conventional view that the earth had once been a hot, detached portion of an earlier sun which had gradually cooled and formed a crust, is now challenged by another, associated particularly with the names of Schmidt in the Soviet Union and Urey in the United States, that the earth has been formed by an aggregation, under moderately cold conditions, of cosmic dust. However, these disputes do not substantially put in question the nature of the primitive atmosphere, which practically all the geochemical experts indicate as likely to be very different from what our atmosphere is today, particularly in the absence of oxygen, which appears to us to be the particularly life-giving gas. Oxygen in anything like the quantities we have in the atmosphere is now considered to have been produced by life itself, by the green plants that keep it in its present concentration over the whole of recent geological time. However, before there were plants the atmosphere was of a distinctly mephitic character, consisting of marsh gas, ammonia, sulphuretted hydrogen, and other rather unpleasant compounds. While most admitted the presence of these gases in the primitive atmosphere, there were disputes as to how much nitrogen and carbon dioxide were also present. There was, also, some dispute on the origin of the carbon in the atmosphere. A Soviet oil expert, Professor Kropotkin, maintained that much of the oil in the earth, especially that at very deep levels, could not have been formed by biochemical agencies, but this was not the view of the majority of geologists present. It was pointed out that not only the oil itself contained characteristic biochemical compounds, but in oil wells as deep as 3,000 feet below the surface there are living bacteria which exist by oxidising the oil at the expense of the sulphate in the water. This picture of organisms which have been buried for hundreds of millions of years at such depths and in complete darkness, showing the extraordinary persistence of life, seemed rather to point to the organic character of existing oil supplies but does not exclude the possibility of primitive supplies of methane.

First Synthesis of Organic Molecules

However, these disputes seem relatively irrelevant to the central theme of the emergence of life because there is now sufficient evidence that the first step in production of simple organic molecules from any set of elementary gases containing hydrogen, carbon, nitrogen and oxygen, was not as difficult as was previously thought. Professor S. Miller, who was the first to do this in Professor Urey's laboratory in Chicago, gave us at the symposium further details of the work of synthetising amino acids and other organic compounds from simple gases under the influence of electric discharges. Professor Terenin, at the Bach Institute at Moscow, reported that the same thing could be done with ultra-violet light, and Pavlovskaya and Passynski, in the same laboratory, have repeated and extended Miller's results using different gases. It would now appear that practically any such mixture of gases, subject to a great variety of agents, not only electrical discharges and ultra-violet light but also every form of radio-active alpha, beta or gamma rays, will produce, and in fair quantities, compounds of basically organic nature, not only acids but also carbohydrates and vegetable acids. It is almost necessary now to conclude that such organic compounds must have accumulated for a long time on the earth in the absence of any organisms to destroy them.

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The explanation of the next stage, the formation of large or polymer aggregates in which the smaller molecular groups were tied together in long chains, seemed to be much more obscure, but this was probably due to the complexity of the processes involved rather than to any fundamental difficulty. Indeed, sufficient experimental proof was indicated to show that it was not an impossible problem but rather it was difficult to choose which method was most likely to have occurred. Some years ago I put forward the hypothesis that the polymerisation itself probably occurred on some pre-existing mineral substances, clay or quartz; and this has received some support both from experiments on the synthesis, by Terentiev, of optically active organic compounds on asymmetric quartz crystals, and by the work of Akabori in Japan, who has not only produced extremely simple protein chains, such as polyglyceine from amino acids on clay, but has even been able to insert other amino acids into these chains.

The Evolution of Metabolism

So far, however, in the discussion there is nothing to indicate any of the characteristic features that we now associate with life. These obviously belong to subsequent stages. The first is the cyclic interchange of chemicals by which a *metabolism* is set up. Molecules enter into and leave such a system either at the same rate or with a positive addition which we call growth. Such interchanges require a fair concentration of matter, and this is the essential point of Oparin's original hypothesis of the origin of life. He postulates that this concentration was brought about by the formation of gelatinous aggregates, so-called *coacervates,* which can be formed in the laboratory by mixing substances such as egg-white and gum. Oparin and his co-workers reported at the symposium, not only more experiments in the formation of these coacervates, but also in reactions carried out by organic chemicals trapped in them, a kind of rough model of metabolism. Now it must be admitted that at the moment the actual physical state of what Pirie has called *eoboionts* (dawn forms of life) is still very difficult to picture. However, as the latter sessions of the symposium showed, although we cannot say very much about where these processes took place, quite a lot can be said about the processes themselves.

The greatest advance marked by the symposium, indeed, was in its contribution to the question of the evolution of metabolism—a history of processes rather than of structures. The mere existence of metabolism raises many fundamental problems. The second law of thermo-dynamics had always seemed to imply that processes going on of their own accord in nature necessarily result in a general increase in disorder, so-called entropy or muddled-upness of the system. If one mixes, for instance, hot and cold water one always gets tepid water. No one has seen a bowl of tepid water by itself separating itself into hot and cold. But living systems do carry out just such separations. They organise themselves, and they produce out of a uniform environment substances of marked differences, wet and dry, acid and alkali. How is it possible? Do the laws of physical chemistry apply to them or is some new vital force at work? This problem is now reasonably solved by the recognition which we owe largely to Professor Prigogine, from Belgium, who attended the symposium and read a profound paper on the thermo-dynamics of living systems. In his view the laws of thermo-dynamics were made on a too restricted scale, namely they referred entirely to closed systems in which neither matter nor energy went in or out. If we consider a limited system as open, a system in which matter enters and leaves, not necessarily in the same state, and also where energy flows in and flows out, the rule leading to greater entropy no longer holds. If, however, we insist on treating the whole of the universe as one closed system, then we can say that life manages to increase the order in the small region in which it exists at the expense of increasing the disorder everywhere else. There is nothing in the evolution of life that in any sense breaks what are the laws of the physico-chemical world. But life cannot be considered as merely physico-chemical, and this was very ably discussed in a paper by Broda who put forward the concept of the dynamical state as the essential characteristic of living processes, and a dynamical state that takes origin in a previous non-dynamical one.

The processes going on in organisms today, though they are extremely efficient, take place with extremely gentle steps. Organisms manage to carry out the kind of chemical reactions for which we need boilers and furnaces without raising the temperature more than a few hundredths of a degree above that of their surroundings. They are able to do this because they possess extremely complicated chemical agents, the enzymes, which further specific chemical changes involving a minimum of energy. The oxidation of sugars, for instance, takes place by a cycle of changes involving some sixteen different minute steps and the formation and transformation of a far greater number of intermediate chemical substances. Now, the very enzymes and co-enzymes which are used in even the simplest of living systems today are themselves the product of life. Before they existed how was life possible? One rather

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simple answer was provided by Fox and Shaer in suggesting that this was made possible simply by heat, that life originated in a very much hotter environment than exists now, that is, almost boiling water in which, at the present day, life is found in hot springs. They were able to show by experiments that quite a number of changes which can only possibly be produced by enzymes at ordinary temperatures, occur spontaneously at such high temperatures. This, however, was open to a number of objections and an alternative suggestion seemed more plausible, namely, that there are a number of almost inorganic substances, various phosphates, complexes of ions, such as iron, cobalt, copper etc., that can, rather inefficiently, do the things that enzymes and co-enzymes do today. The general conclusion was, however, that early life was not a particularly efficient system, it has been streamlined by the process of evolution, and the systems we see today are really the end product of such a selection operated on chemical lines. The logic of natural selection, of course, does not begin with organisms; it must operate at any stage in which the more efficient can replace the less efficient, whether it be a chemical process or an ability to adapt to a local environment.

It now seems to be agreed that the earliest type of metabolism at present in action is that of fermentation, as proposed originally by Oparin. This implies the absence of oxygen but the presence of some form of sugar as the main source of energy. Fermentation itself is not nearly as efficient as oxidation, and must result in the production of large quantities of virtually waste products from the point of view of early life. One of these, carbon dioxide, may have accumulated enough to trigger off the next stage, that of the reverse process of photosynthesis by which plants grow out of air and sunlight. One conclusion that seemed to emerge from the symposium was that the earliest photosynthesis was one of the absorption of carbon dioxide into the organisms with the consequent growth, and at the same time the release, not of oxygen as in modern photosynthesis, but of sulphur, a process which does not involve such large energy steps and which is at present carried out by a number of very primitive algae. Evidence of this may exist in the sulphur isotopes found in early pre-Cambrian rocks. The second phase of photosynthesis, that which did produce oxygen, was to have an enormous effect not only on life but on the earth's atmosphere. Once the chlorophyll was effectively working, the atmosphere, loaded with oxygen, cut off the ultra-violet rays which had been all through its previous periods a potent factor in promoting chemical changes. It cut off, say, one source of food supply while providing another. But the presence of oxygen also stimulated the development of what definitely appears to be secondary metabolic changes, those of oxidation, which turned a sugar, not merely to an alcohol and carbon dioxide, but entirely into carbon dioxide and water, liberating far more energy than fermentation, thus making animal life possible.

While these major metabolic changes were going on, the two essential mechanisms of growth had been evolved in the form of protein-like enzymes and nucleic acids. Here the recent great advances in the structure analysis of nucleic acids and proteins, and the relations between them as exemplified in the viruses, have opened up a new field of possibilities, not, however, without raising new and difficult problems.

The association between proteins and nucleic acids or, rather, of their components the nucleotides, seems to be a very early one. Both work together as enzyme and co-enzyme in facilitating chemical change. The proteins are apparently responsible for the specific kind of reaction that takes place, the nucleotides for the energy transfer that makes it work. In the simplest organisms we know, however, including bacteriophages and viruses, the nucleotides are arranged in long, often spirally-curled, chains in which the order of their four different types, Adenine, Guanine, Uridine and Cytosine, seems to be of fundamental importance. Evidence is accumulating that it is through this code that the order of reactions essential to the proper functioning of the cell is maintained. Further, the division of organisms in sexual as well as asexual reproduction is preceded by a reduplication of specific nucleic acids and variations in them are associated with mutations. Nucleic acids accordingly seem to function as *memories* assuring both the continuity and evolution of organisms.

The proteins seem also to consist of chains, not here of four, but of some twenty-five different amino acids and each of the almost innumerable varieties has a different arrangement. It now seems that protein can be formed, under present conditions, only through the medium of nucleic acid acting on a cell, as in the infections produced by virus nucleic acids as reported by Fraenkel-Conrat and Schramm, or on a cell extract, as has been shown by Straub working on the production of the enzyme amylase in liver extracts. On the other hand, it seems to be equally evident from recent experimental work that nucleic acids are synthesised by proteins. And so we have again the old "chicken and egg" paradox—if proteins are needed to make nucleic acids and nucleic acids to make proteins, which came first? The problem, however, may not be as insoluble as it seems, because proteins and nucleic acids as we know them now are very elaborate systems. They must

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needs have been produced by simpler substances carrying out similar functions, though with less efficiency. The earliest of these may have been metal organic complexes and metaphosphates respectively, and the activities of some varieties of these were discussed at the meeting.

More Complicated Forms of Life

Strictly speaking the work of the symposium should have been confined to the study of the origin of life up to the complexity represented by the simplest cell. However, some very interesting papers were given about the behaviour of more complicated forms of life which throw light on possible earlier stages. Information of the same kind can be obtained by studying comparative biochemistry, that is, the way in which various chemicals are distributed among different groups of animals and plants. It is to be hoped that in this way it will be possible to build up a fairly reasonable and detailed system. The genesis of each particular kind of chemical compound in present day organisms may not be the same as that which first originated these compounds. But it must have some relation to it, and the study of this sort of biogenesis was reported on in many cases—notably in those of nitrogen metabolism by Braunstein, of chlorophyll by Krasnovsky, in the blood group proteins by Pauling—all of which pointed to the possibility of a biochemical evolution still going on, that is one in which a variation in external circumstances could favour one chemical reaction rather than another, and if this turned out to be over-all more efficient could establish it as the new biochemical pathway. Simpler organisms, such as bacteria, are particularly capable of this kind of adaptation; we know this now to our cost, because of the way in which the bacteria originally stopped or killed by antibiotics are now managing to exist in their presence. Indeed, there is one streptococcus for which streptomycin is an obligatory for growth; it cannot live without its poison.

Order from Disorder

It will be some time before it is possible to assess the value of the contributions given at the Moscow symposium. When they are published they are certain to arouse further discussion in scientific circles: as a result we may hope to have within a few years an ordered account of the more probable stages in the development of living systems from inorganic matter. Clearly many great discoveries have still to be made, and at a time when we are only beginning to penetrate the actual structure of present day organisms we are obviously not sufficiently informed to be able to say very much about their origins. Nevertheless, the effort to plumb these origins is a valuable one, and this symposium shows it, because it has caused biochemists themselves to think about the subjects in a new way, to ask themselves different kinds of questions, and in the process to come across different phenomena, evolve different experimental methods. Up to the beginning of the present century, much of biology consisted essentially of observation and naming what was observed. Only in the last fifty years has serious experimentation begun. Biologists are now learning how much more complicated living systems are even than was imagined, and they cannot fail to admire the extremely beautiful set of balances and mutual relations of chemical reactions which are quite as delicate as, and much more various than, those of the physical actions of the higher animals. But as they discover this world of almost unlimited complexity they are also discovering the means to understand it. They are discovering not only how the system works, but how it builds itself up to work. They are beginning to see that process of adaptation which leads always to new arrangements, that process of overcoming difficulties which if not overcome would wipe out that particular form of organism, that law of the survival of the fittest which is now seen to apply as much to the chemical as to the organic sphere of evolution. Here also it reveals itself as a dialectical process.

The great lesson we are beginning to learn from the studies on the origin of life is how order was evolved out of disorder. In the past order had always been thought of as something impressed from outside, the action of some god or metaphysical ordering principle. We now begin to see this ordering as a perfectly natural and spontaneous process; we find that things fall into order because only in order can they continue and maintain the process in which they take part. One might ask then, why is it necessary for the process to be maintained? The answer is that it is not necessary, but where it is not maintained the process stops, that particular kind of system disappears and the field is left to those which have, by superior order, managed to maintain themselves. It would never be difficult for philosophers to demonstrate by irrefutable arguments that life is much too complicated a thing ever to have originated—that it cannot exist; nevertheless, unfortunately for them life is there, and it is our business to understand how this impossibility actually took place.

Life on Other Planets?

We learn in the study of the origin of life something of the inexhaustible quality of the very stuff of existence, the elementary particles, the

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atoms, the molecules, the nucleic acids and proteins, the simple metabolic chains. These can without making use of anything essentially new or different, by simply relying on properties already there, produce in their structures and reactions all the complexities of life, and there is no reason to believe that these possibilities are themselves exhausted. We now know that there is a high probability that there are even in our galaxy some tens or hundreds of thousands of stars around which planets circulate under similar circumstances to our own, and we might expect to find on them other forms of life. However, from the study already made, it would appear that although in detail life is extremely various—we have the millions of species that are to be found on our earth today—nevertheless in essentials it follows certain patterns. They are limited on one hand by the physical-chemical properties of a few atoms, mainly carbon, hydrogen, nitrogen, and oxygen, and on the other by geometrical and physical limitations on the kinds of complex arrangement which are possible.

The variety of different kinds of life on different planets will lead us to much more general concepts of biology. Our biology on this earth is a limited subject, as peculiar in its way as human anatomy, but as we know there is comparative anatomy and so there will be comparative biology. We may hope to find, for instance, on other planets different stages of the evolution of life, perhaps some of the earlier stages that we now seek by the most indirect methods in the study of existing biochemical pathways.

The new subject of biopoesis is admittedly a very speculative one, but its speculations are neither abstract nor useless. On the one hand, as I have tried to point out, it is of value in understanding the biochemistry of existing organisms which is in turn the basis for the development of rational medicine and rational agriculture. On the other it removes from ignorance or myth another enormous area of our experience. The origin of life fits in as part of the great sequence of origins reaching back as far as we can see, there is no necessary limit to it. It reaches forward through the evolution of living forms to the origin of mankind and society, to the development of civilisation, and further on to the development of new societies and civilisations, and to the greater and unlimited possible achievements of mankind.

Discussion on the Theory of Crisis

Crisis theory and current policy

John Eaton

EMILE BURNS'S article is to be welcomed as a timely opening up of important questions. A consideration of the applicability of Marxist theories of crisis to present circumstances and conditions is in fact long overdue. Whilst it can only do harm to the development of Marxist thought if we are not prepared to use past achievements of theoretical analysis as a jumping-off ground for creative development of Marxist theory, we should at the same time be careful to get all that there is to get out of theoretical work that has already been done. It is for this reason that I feel it to be important to question whether what Emile Burns puts forward as Marx's view of crisis is in fact Marx's view and is in fact consistent with the general approach of Marxist theory to a number of important economic questions. In criticising Emile Burns I am well aware that I am also criticising myself, since there are a number of passages in the chapter on crisis in *Political Economy—A Marxist Textbook* which are coloured with the same mistake, namely, to present the Marxist theory of crisis as if it were an underconsumptionist theory.

The theory that Emile Burns presents attributes crisis to the inability of the masses to buy the consumption goods that the expanding productive forces ultimately are designed to produce. "In the long run, therefore," Emile Burns writes, "the market for capital equipment, as also the market for raw materials of all kinds, depends on the market for consumption goods." Elsewhere, he writes, "the great expansion of productive

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capacity, with rising prices and rising production, cannot go on indefinitely while consumers' demand is relatively stagnant", and on page 8 he speaks of the "gap between production and purchasing power for the finished products, for articles of consumption", as if this were the ultimate cause of crisis.

Under-Consumptionist Theories

This was a view that Lenin challenged categorically. In *A Characterisation of Economic Romanticism,* which Lenin wrote in 1897 when he was in particular combating Narodnik theories, he spoke of the under-consumptionist theories of Sismondi and Rodbertus, contrasting these with the Marxist view. Rodbertus's explanation of crisis was, he said, "that with the growth of production the workers' share of the product diminishes" (p. 62).* With this he contrasted the scientific analysis of accumulation in capitalist society made by Marx. "The two theories of crisis of which we are speaking give", he wrote (p. 63),* "totally different explanations of them. The first theory attributes crises to the contradiction between production and consumption by the working class; the second attributes them to the contradiction between the social character of production and the private character of appropriation. Consequently, the former sees the root of the phenomenon *outside of* production (hence for example, Sismondi's general attacks on the classical economists for ignoring consumption and devoting their attention exclusively to production); the latter sees it precisely in the conditions of production. To put it more briefly, the former attributes crisis to under-consumption (Unterkonsumtion), the latter attributes it to the anarchy of production. Thus, while both theories attribute crises to the *contradiction* inherent in the economic system itself, they differ entirely on the point of the nature of this contradiction. But the question is: does the second theory deny the contradiction between production and consumption, does it deny the existence of under-consumption? *Of course not.* It fully recognises this fact, but puts it in its proper, subordinate, place as a fact that relates to one of the departments of capitalist production taken as a whole. It teaches that this fact cannot explain crises, which are called forth by another, more profound, the fundamental contradiction in the present economic system, namely, the contradiction between the social character of production and the private character of appropriation." Possibly Lenin was too categorical; he was, after all, writing to challenge the standpoint of the Narodniks, who argued that capitalism could only be developed artificially in Russia, because the limitation of the market precluded a "natural" development propelled by economic forces operating of themselves. Disproportions of all sorts between one branch of production and another may contribute to the precipitation of a crisis; and to lay emphasis on the poverty of the masses or the gap between wages and production when islands of capitalism were developing within the surrounding sea of semi-feudal Russia could fairly enough be labelled "economic romanticism". However, we tended in the nineteen-thirties to go to the other extreme and to interpret Marxist theory with an under-consumptionist bias. flogging to death the sentence from Marx's *Capital* Vol. 3, which Emile Burns quotes, namely the sentence beginning: "The last cause of all real crises always remains the poverty and restricted consumption of the masses. . . ." This sentence has been mercilessly torn from its context in a section dealing not at all with the general question of crises but with money capital, credit etc. It would be impermissible to base a whole theory on this one sentence. (This would be impermissible under any circumstances, but doubly so when the sentence comes from a volume which Marx had not revised for publication and in its context is dealing only with a particularly important case of disproportionality.)

* 1951 English Edition, F.L.P.H., Moscow.

The Thirties and Today

The tendency to become under-consumptionist in the nineteen-twenties and nineteen-thirties was undoubtedly fostered by the atmosphere of the times in which the glaring contradiction between production and consumption hit the whole world in the face and made our explanation, although distorted from the standpoint of theoretical purity, readily acceptable as seeming to fit the facts of everyone's experience. We have, however, I believe, paid quite a heavy price for this distortion since it has tended to make us look in the wrong place when seeking to understand the post-war development of capitalism. Because we saw capitalist production expanding precipitately and the proportion of the products taken by the consumers falling behind, we tended to feel that there must be a slump "just round the corner"—when all the while the contradictions of the capitalist world were expressing themselves in a wide variety of other forms. At this very moment the British economy faces a most critical economic situation, but to attribute it to the contradiction between production capacity and consumption would be to strain the facts quite unreasonably.

Here and now—in a little note dealing with a big subject—I cannot do much to develop my

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criticisms positively. The point, however, is that so long as surplus value can be profitably ploughed back into expanding Department I (the production of producers' goods) the limitation of consuming power (the relatively limited effective demand for products of Department II) will not inevitably arrest the expansion of economic activity taken as a whole. In the past, for example, such special circumstances as the railway-building age in Britain, from the eighteen-forties onward, and the export of capital round the turn of the century, provided a basis for a prolonged expansion of Department I. On the other hand, in the absence of such possibilities to expand Department I production, the contradiction between productive capacity and personal consumption is of salient importance in *turning the economy from boom to slump—but it is not the whole story* and does not inevitably come into play as the decisive factor. In his section on "The Influence of Monopoly" Emile Burns seems to be feeling around the problem of the expanding Department I market, but his treatment is to me very confusing since, apparently, he attributes the high expenditure on plant and equipment internally in U.S. industry to monopoly when—surely—monopoly *as such* is a factor which *tends* to restrict installation of new plant in its own industries.

Inflationary Tendencies

There are many new factors that we need to look at today. One—not, I think, the most important, but of some topical interest—is the persistent inflationary tendency of recent years. This calls for special examination, since the effect of such inflationary tendencies is to make the earnings on current and projected operations more profitable in relation to the money valuation of accumulated capital based on costs incurred in the past. But inflation creates, as it were, a fool's paradise for capitalism since the persistent paring down of incomes and obligations based on past money values causes acute strains in the internal and external relations of the economy as a whole: the working class is in constant struggle to advance wages which, if they stand still, suffer an automatic deterioration in real terms, middle class recipients of fixed incomes find their share in the national product persistently diminished, and external exchange relations remain strained and precarious. In short, the contradictions of class relations internally and international and inter-imperialist relations externally are not shelved but reappear in new forms.

As these strains and contradictions become acute, the pressure to scotch inflation weighs heavily on the ruling circles responsible for the direction of the economic policy of each capitalist country. But as soon as the contradictions of deflation begin even to be thought about, the terrors that they hold begin to become real. The profitability of currently engaged capital is threatened, the relations between currently earned profits and capital accumulated in the past are changed in favour of the latter, money is strengthened against "active" capital, the tendency for the rate of profit to decline reasserts itself over the counteracting factors. Crisis in one form is evaded by courting crisis in another form. Under some circumstances the capitalists look solely to reduction in wages as the means of restoring or maintaining their rate of profit. But the capitalist state today can be made to pause in fear before the political consequences of *precipitating a deflationary crisis involving large-scale unemployment.*

So the contradictions reappear in the political field. This re-emphasises the fundamental fact that in capitalist crises the contradictions of class relationships within the economic structure find their expression. Moreover, the form the crisis takes reflects and is moulded by the character of class relationships at any one time. For this reason crisis today is bound to assume quite different forms from those seen in the past and for this reason also the struggle of the working class against crisis, simultaneously on the political and economic fields, needs to take a course attuned to the circumstances of today.

A National Economic Policy

It is necessary to fight for an integrated national economic policy imposed in the interests of the people as a whole as against the policy which the dominant monopoly section of the capitalist class seek to impose in pursuit of their own imperialist interests and in defence of the capitalist system as such. The overriding advantage of the monopoly capitalist class derives from their control of state power, and the effective implementation of a national policy by the working class necessitates the exercise of state power by the working class. But the struggle to impose its economic policy is in itself a struggle by the working class against the state power of the monopoly capitalists in which partial successes can provide stepping stones to revolutionary change; that is, state power and control of the state machine passing into the hands of the working class, making possible a rapid transformation of the structure of the economy and the full application of an economic policy serving the interests of the masses of the people. In framing a national economic policy for dealing with the problems now confronting us it is necessary to deal with such questions as

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a new foreign economic policy (as against the imperialist policy which has dominated all Tory thinking on economic questions and led them to subordinate national interests to the overseas interests of a small circle of finance capitalists), such questions as investment expenditure by the state and state expenditure generally, such questions as control and priorities in home industry, extension of nationalisation, including nationalisation of the banks and insurance companies and control of the financial mechanisms. The state is now so deeply involved in the economic life of the country that the policy that it pursues is bound to have a most profound significance and to influence the course of economic development. This is, for example, unmistakably clear in relation to the crucial issue of our times—war or peace. If it is to be peace and disarmament it will be necessary also to insist on the state implementing an economic policy for the redeployment of economic resources which are at present directed to war purposes.

I don't think that Emile Burns deals at all adequately with the impact of the state on the course of economic development nor with the means at our disposal for combating economic crisis. There is a fatalistic atmosphere about his analysis. I believe there is a connection between this attitude and the over-simplified analysis which explains crisis in terms of the contradiction between production and consumption. If one were to try to draw practical conclusions from Emile Burns's article I think they might be somewhat as follows: first, raise wages because this may help to close the production-consumption gap; secondly, wait for the crash which is bound to come some time and try to push capitalism over when it does, since only socialism can solve anything and it will come in its own good day.

Of course in the future capitalism will go through great political and economic crises; and these will give opportunities for the progressive forces but they will also create difficulties. However, what we get out of *future* events will be more or less, according as we get more or less out of our present actual circumstances. We must build the road to socialism. It will not build itself.

Strachey and Keynes

I feel also that Emile Burns's treatment of John Strachey's *Contemporary Capitalism* is most inadequate. Strachey has a considered point of view on the influence of political factors on the course of economic development, which if Strachey is to be dealt with at all must be fairly considered. Emile Burns in his reference to Strachey bases himself on one quotation taken out of its context, suggesting that Strachey thought that monopoly capitalists do not try to maximise their profits. Emile Burns seems to me to be trying to catch Strachey out on the basis of one misleadingly worded sentence. In my view Strachey's book poses well a number of important questions but to many of them has not succeeded in finding satisfactory answers. However, the basic criticism of Strachey's book is, I think, that it is undoubtedly "revisionist" in character. It is not revisionist because it attaches importance to the political factor as changing the course of economic developments substantially, but because it suggests that the issue of state power no longer has significance for the advance to socialism, that the state is above classes and that a transformation of the economy in the direction of socialism is already being or will in due course be effected by the automatic working of the two-party system. In my view the essential characteristic of the revisionist trend in Marxism is the contention that socialism can grow out of capitalism without the working class struggling for and taking state power. Strachey sees the economic structure of Britain being transformed by a vague democratic pressure which finds expression through the action of politicians because they need to be sensitive to the views of the electorate.

For somewhat similar reasons I think that Emile Burns's treatment of the question of the "Keynesian techniques" is quite inadequate. Emile Burns writes: "When, therefore, people speak of Governments today using 'Keynesian techniques' to maintain employment, they are using a mystifying phrase for something quite simple. The armaments drive is not an economic technique, Keynesian or otherwise, to maintain employment; it is a technique of aggression, to further the interests of monopoly capital" (p. 5). The purpose of the expenditure and the policy behind the expenditure is not the point so far as *techniques* governing economic activity by the state are concerned. In fact the state does claim to be able to influence levels of investment and other factors affecting the level of economic activity. In my view it would be absurd to say that its claims are utterly without foundation. There is not space here—nor have we yet studied the matter sufficiently—to make a proper analysis of this question; but we cannot just dismiss it. We also need to draw a distinction between what the state can do and what it is unwilling to do for reasons of its own, monopoly capitalist class interests. But this remains for us a most important issue on a number of counts, and in particular with regard to what we expect the state to do if we "win the peace" and require the state to put in place of arms expenditure economic activities which will benefit the people.

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ANTONIO GRAMSCI: *The Modern Prince and Other Writings.* Translated by Louis Marks. Lawrence and Wishart. 21s.

Gramsci

The first Italian Marxist

WRITING in *Unità* after the defeat of the British Labour Government in the general election of 1951, Togliatti remarked that "the British Communist Party has not yet succeeded in striking deep roots among the masses".

Antonio Gramsci was a fellow student of Togliatti. Like Marx, he gave up the prospect of a brilliant academic career in order to throw himself into the struggles of the working class. In 1919, when the Turin workers, organised in factory councils, were taking over some of the big factories, he started a workers' newspaper, *Ordine Nuovo,* which issued a revolutionary programme for the Italian working class. Two years later, with Togliatti and others, he founded the Italian Communist Party. In 1922, after the march on Rome, *Ordine Nuovo* was suppressed. In 1924 he founded another paper, *Unità,* and in the same year he was elected to Parliament. Then, at the end of 1926, he was arrested and sentenced to twenty years' imprisonment. "For twenty years", the public prosecutor demanded, "we must stop that brain from working". In prison he was subjected to continuous maltreatment, which destroyed his health, and from this slow torture he died in 1937. Nevertheless, during those eleven years, he filled thirty-two notebooks, amounting to nearly 3,000 closely-written pages, with his ideas about Marxism in general and its application to the Italian revolution. These writings were published after his death, and a selection from them now appears for the first time in English.

This book is a very important one for us, because it shows how, under the leadership of Gramsci and later of Togliatti, the Italian Party succeeded in "striking deep roots among the masses".

The greatness of Gramsci's contribution to Marxism lies in his profound understanding of the unity of theory and practice. On the one hand, his work has a wide theoretical range, comprising many problems of history, philosophy, ethics, religion, literature and the arts. On the other hand, these problems are always approached from the standpoint of the concrete situation of the Italian working class at the time of writing and with the conscious purpose of throwing light on that situation and changing it. Just as Mao Tse-tung set himself the task of applying the general truths of Marxism to the Chinese revolution, so Gramsci applied those truths to the Italian revolution.

In a certain sense, he writes, "all men are philosophers": that is, they carry in their heads a body of ideas, contained in the language they speak, in their religion, and in what they call "common sense". But such a philosophy is "spontaneous" and "unconscious". It is only the first stage of knowledge, at which a man is content with passive acceptance of a world view imposed on him from outside. The second stage is the stage of "critical awareness", at which he "works out his own conception of the world consciously and critically" and so begins "to participate actively in making the history of the world", that is, becomes free. But from its nature this higher stage is only attainable through action, political action, participation in the class struggle. "Critical awareness of oneself comes through the struggle of political 'hegemonies', of opposing directions, first in the field of ethics, then of politics, culminating in a higher elaboration of one's own conception of reality." Moreover, "the awareness of being part of a determined hegemonic force (i.e. political consciousness) is the first step towards a further and progressive self-consciousness in which theory and practice finally unite". Hence "the unity of theory and practice is not a given mechanical fact but a historical process of becoming". All this is very close to Mao Tse-tung: "To start from perceptual knowledge and actively develop it into rational knowledge, and then, starting from rational knowledge, actively to direct revolutionary practice so as to remould the subjective and the objective world."

If Gramsci's account of the Marxist theory of knowledge is studied in its context, it will be seen to be drawn from his political activity and his experience in seeking through practice the solution to the basic problems of the Italian working class. This appears very clearly in his article on the Southern question, that is, the problem arising from the fact of Italy being

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divided between the industrial North and the agrarian South. He writes:

> "The Turin Communists posed to themselves correctly the question of the 'hegemony of the proletariat'; in other words, of the social basis of the proletarian dictatorship of the workers' state. The proletariat can become the leading and ruling class to the extent that it succeeds in creating a system of class alliances which enables it to mobilise the majority of the working population against capitalism and the bourgeois state; this means, in Italy, in the actual conditions existing in Italy, to the extent that it succeeds in obtaining the consent of the large peasant masses. But the peasant question in Italy is historically determined; it is not 'the peasant and agrarian question in general'; in Italy the peasant question has, through the determined Italian tradition, assumed two typical and peculiar forms, the Southern question and the Vatican question. To conquer the majority of the peasant masses means, therefore, for the Italian proletariat, to make these two questions its own from a social point of view, to understand the class exigencies that they represent, to incorporate these exigencies into its own revolutionary programme of transition, to place them among its aims in the struggle."

Recognising the fundamental importance of the Leninist theory of allies, Gramsci devoted special attention to the peasantry.

The Southern question was bound up with the Vatican question, that is, the role of the Catholic Church. Here again he starts from the concrete situation:

> "Every religion, even the Catholic (or rather, especially the Catholic, precisely because of its efforts to remain 'superficially' unitary in order not to break up into national churches and social stratifications) is in reality a multiplicity of distinct and often contradictory religions: there is the Catholicism of the peasants, the Catholicism of the petty bourgeoisie and the town workers, the Catholicism of the women, and the Catholicism of the intellectuals."

The Catholicism of the peasants, full of superstition though it is, is characterised by the latent anti-clericalism summed up in the popular saying: "The priest is a priest at the altar; elsewhere he is a man like any other". (I have heard the very same saying in the west of Ireland.) This is one aspect of the "crass materialism" of popular Catholicism, which enables the Catholic Church, in contrast to most of the Protestant Churches, to maintain its hold over the masses; but of course it stands in contradiction to the scholasticism and mysticism which characterises the Catholicism of the intellectuals.

How was this alliance between the proletariat and the peasantry to be created? It could only be done with the help of the intellectuals. In 1924 he wrote:

> "What a tragedy it would be, if the groups of intellectuals who come to the working class, and in whom the working class places its trust, did not feel themselves the same flesh and blood as the most humble, the most backward, the least aware of our workers and peasants! Then all our work would be useless and we should obtain no results."

Why so? Why did the intellectuals form the organic link in the alliance? Because, in order to win over the peasantry, the proletariat must "break up the intellectual bloc which forms the flexible but very resistant armour of the agrarian bloc".

It is largely thanks to this lead given by Gramsci in the early twenties that the little groups of comrades who followed him then have grown into the mass Party of today. Our British conditions are very different from the Italian. but the fundamental tasks are the same; and, when we have produced a new version of the *British Road to Socialism*, based on a concrete theoretical analysis of the economic, social and ideological structure of life in Britain today, with full consideration of the national question in Wales, Scotland and Ireland and to the regional peculiarities of different parts of England, then we too shall begin to strike deep roots among the masses.

In conclusion, let me quote a few words which contain a lesson for the editorial board of our new journal. Drawing on his experience as editor of *Ordine Nuovo*, Gramsci makes some remarks about editorial boards "which function as cultural circles as well as editorial boards" and he says:

> "Through discussions and joint criticism (consisting of suggestions, advice, indications of method, constructive criticism directed towards mutual learning), by which each man functions as a specialist in his own subject to improve the collective competence, the average level of each individual is raised. It reaches the height of the capacity of the best-trained and assures the review not only of ever better selected and organic contributions but creates the conditions for the rise of a homogeneous group of intellectuals trained to produce regular and methodical 'literary' activity."

Four years ago, when the *Modern Quarterly* was reconstituted as the *Marxist Quarterly*, the new Board announced its intention of organising from time to time discussions on questions of theoretical and cultural interest. This was a good idea, but nothing came of it. Let us take as a model for the future the experience of *Ordine Nuovo*.

GEORGE THOMSON

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Soviet economists discuss political economy textbook

(Concluded from last issue)

PROFESSOR V. KATZ attacked the point of view that there is no need to elaborate basic economic laws. The question as to whether one can or should speak about a basic economic law at all—especially since we have managed quite well without it until recently—is a false one, for it misses the essence of the matter. What is being discussed is not a matter of description, but the fact that we seek to find, for every social formation, one out of the totality of categories which acts as the determining one, that which embodies the essence of the formation as a whole. And this is precisely the basic economic law, as we define it. Lenin remarked that the theory of surplus value is the cornerstone of the economic teachings of Karl Marx. What else is this but a formulation of the basic law? The view that Stalin was the first and only one to formulate the basic law is therefore incorrect. Of course, each law only explains one side of the essence. Nevertheless, in spite of this, there is one law around which the whole system regulates itself, one which combines all other categories into a single unity, namely, the basic economic law.

Professor Katz declared that in order to answer the question as to whether or not the means of production are commodities under socialism, it is first of all necessary to determine what are the features which give the character of a commodity to any product of labour. We have usually regarded as the sole criterion the exchange of goods, the passing of the product of labour from one owner to another. Although this is an essential description it is insufficient for a definition of a commodity in the economic sense of the term. The addition of a whole number of other features is required.

Professor Katz listed the following attributes which go to make up a commodity: (1) Change of ownership, (2) sale of the product to a third person, i.e. the sale of a product produced in one undertaking to another undertaking for use (this expresses the social division of labour), and (3) obligation to make a return payment (compensation, recompense) making the transaction one of equal values. The commodity in the fullest sense of the term must fulfil all these conditions. If the means of production under socialism are considered from this standpoint, then it at once becomes clear that the first feature no longer applies, for the movement is not accompanied by a change of ownership but proceeds within one and the same form of social ownership. From this, however, we must not conclude that the means of production, having lost one essential feature, are no longer commodities at all. They still retain the other attributes, they still have value and are not disposed of for nothing, but for a definite exchange value, a process which is an objective necessity under socialism. Consequently the means of production have not finally ceased to be commodities, a state of affairs which is of great importance for the unity of the whole reproduction process.

T. Mansilya was critical of the chapter in the textbook which discussed the law of absolute impoverishment. A Marxist can have no doubt that such a law exists under capitalism but one should not make the mistake of dealing with the problem in a schematic way. What is required here is detailed, comprehensive investigation. Above all one should not work on the basis of facts and figures of the last century, but deal with the most recent information. Thus one cannot simply maintain that the real wages of the workers decline consistently under capitalism. What would follow from such an approach is that wages are ultimately reduced to nothing—which entirely contradicts reality. Similarly, one cannot just flatly affirm that the French worker today consumes less bread than his predecessor of a century ago. What we have to do is to show how the forms of absolute impoverishment change under imperialism. In this connection special attention has to be given to the intensification of labour because that is the most important factor influencing the development of absolute impoverishment. And here, economic investigation must be undertaken, authentic facts and figures

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must be found which show how the intensification of labour is increasing, thereby worsening the condition of the working people.

Professor N. A. Zagolov considered that the textbook gave the student only a poor idea of the essence of monopoly under imperialism. The concept *monopoly* is used indiscriminately in connection with feudalism and with absolute and differential rent without any further explanation.

It is necessary to make a sharp distinction between monopoly in pre-capitalist modes of production, in pre-monopoly capitalism and in imperialism.

One of the main problems requiring our attention is that of the impoverishment of the working class. Marx occupied himself with this question a very great deal and gave us a moving picture of the impoverishment of the masses under capitalism. Nevertheless, all laws of capitalism operate in a chaotic and spontaneous fashion. In the textbook it stated: "the *relative impoverishment of* the proletariat means that in bourgeois society the working classes' share of the total national income *steadily* decreases while at the same time the share of the exploiting class steadily grows." How can one affirm that under capitalism laws work *steadily*, have a *constant* character? We are not Proudhonists or Lassalleans who deny economic importance to the struggle of the working class. As Marx pointed out, the working class under capitalism can influence not so much the causes of its poverty, but it can mostly influence the consequences. The strength of the working class is a factor which, in certain periods, operates to improve somewhat the condition of the working class. In this regard Lenin wrote: "Marx wrote about the increase of poverty, the driving down of the working class etc., but he also drew attention to the counteracting tendencies and to the real social forces which alone are able to give rise to this tendency. Marx's words about the increase in poverty are confirmed fully and completely by the facts. From this we see that capitalism really has a tendency to produce and to extend poverty, a poverty of gigantic proportions wherever the above-mentioned counteracting forces are absent." (Lenin, *Works*, Vol. IV, Russian edition).

In view of these remarks by the classic founders of Marxism-Leninism the formulations in the textbook should not remain so rigid and inflexible.

Academician Ostrovitianov thanked those present and promised, in his concluding remarks, on behalf of the group of authors responsible for the textbook, to give the most careful attention to all the critical remarks and suggestions for improvement made in the course of the discussion.

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